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The Journal of SOCIAL, POLITICAL AND ECONOMIC STUDIES

Roger Pearson
General Editor

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Getting from Earth into Space

Robert C. Richardson III
High Frontier, Inc.

Moving people and goods from one place to another is a normal, specialized business activity. While generally referred to as travel or transportation it has always been recognized as a "service" type of business, whether the movement involved takes place in the air, on the ground or at sea.

The vehicles used are normally referred to as Transportation Vehicles. They are built to operate as efficiently as possible in the environment they are expected to operate in. All this is obvious and makes common sense with one exception. This is the case of the vehicles now used to travel from the surface of the earth into space.

For the past 35 years freight, cargo and people have been hauled into orbit around the earth on vehicles that were not originally designed or optimized solely for this purpose. These are the rocket launchers, referred to as Expendable Launch Vehicles (ELV's) and the NASA operated Shuttles. These rockets, still the mainstay of space lift for all nations, were originally designed as military munitions. The Shuttles, while designed for transportation, were also designed as in-orbit work stations and are dependent upon munition-derived rockets in orbit.

Without arguing the merits of adopting this approach to traveling from earth into space at the time when this was done (and there were logical reasons for it then) it is obvious that vehicles built for purposes other than to provide transportation will be somewhat less than optimum in the transportation role.

Relying in whole or in part on modified munitions – bullets with saddles – for earth-to-space transportation has made space travel vastly more expensive and risky than it need be. This in turn has resulted in the transportation element of space programs being designed and built as part of the overall project, with its cost thus hidden. The resulting combination of expendable, throwaway vehicles or rockets, coupled with their inherent inability to tolerate minor equipment failures without risking catastrophic results, has been to create a situation in

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which:

- A voyage or shipment of 200 to 300 miles up into Low Earth Orbit (LEO) is a hundred times more expensive than going the same distance on land, sea or in the air.
- The manpower required to refurbish and turn around the vehicles used for space travel, even when these are recovered, – and to minimize the risks on each trip – is several thousand times greater than for the most advanced and complex aircraft or ships.
- The vehicles now used for travel into space require "gold plating" and redundancies in key parts to minimize the risks of even minor failures.
- Due to the above, the infrastructure bases and facilities required for space launches must be highly specialized and are vastly more costly, intricate, and demanding in manpower than those required to support all other modes of transportation.

The sad truth is that this situation, and the resulting penalties it imposes on both government and civil space projects, need not exist. Given today's technology, there are no fundamental reasons why travel from earth to LEO should be much more risky, costly or inefficient than air travel. All that has to be done to correct this condition is to recognize that space travel should now be treated as a classic transportation "service" and that we should design and build vehicles optimized solely for this purpose.

The problem here is that the U.S., and the world for that matter, needs to adopt an entirely new approach to space transportation and travel. Not only must new vehicles be designed and built for this purpose, but the movement business, itself, must be largely divorced from the cargoes or payloads it carries. It must also be available as a "service" to those who need to go into space or ship something into space.

Can this be done? Yes. Why is it not being done? Primarily because so many jobs and vested interests have become dependent upon the existing, modified munition and integrated payload, approach to going into space. Adopting any new, even though classic, way of doing this has become a major threat to all those organizations and people associated in any way with the existing space transportation systems.

All large organizations tend to resist new ways of doing things. The space business in both government and in much of its supporting

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industries is no exception to this rule. While most people welcome product improvements in any hardware they now build, manage, or operate, they tend to resist changes to totally different types of systems. And this is true even when these would clearly do whatever the existing systems are supposed to do but cheaper and better. Bigger, faster, better, cheaper, or safer cars are welcome. Replacing the car with a new way of traveling on roads would not be welcome by the auto industry. If and when this comes about all the car owners, mechanics, operators, and their infrastructure become obsolete. Obviously they will resist this regardless of the arguments for it.

Fortunately there comes a time when the potential for improving existing hardware is no longer worth the investment required. For instance, this is the case when the only way to cope with foreign competition from the types of vehicles in current use would be to adopt a new and different type of vehicle that would provide not only better performance but also a degree of exclusivity. Doing this, however, while advantageous in market competition, invariably results in massive resistance on the part of one's own organization. This is essentially the conflict now taking place between the U.S. need to cope with foreign competition in space transportation and NASA and DOD resistance to adopting the only logical solutions, which are either to substitute a new approach, the Single Stage to Orbit (SSTO), or the alternative to upgrade the existing one, the National Lift System (NLS) plan.

On The Launch System Battle

Only by making the safety, reliability, turn-around times, and cost of travel from earth to space (LEO) roughly equivalent to that of commercial air travel can the U.S. now hope to succeed in competing with the non-market economy nations that are rapidly taking over this business. And only by doing this can the U.S. private sector be persuaded to join government in exploiting space – a requirement that must be met if America is to derive security and economic benefits from this, the new High Frontier.

Technology now makes this possible given suitable priorities and funding. Space buffs are demanding this. So are pressure groups seeking assured U.S. leadership in space, and business people desiring affordable access to this new High Frontier. The public and politicians concerned over the deficit and desirous of reducing the cost of pursuing national-interest space goals would also like to see cheaper

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transportation.

In the present competition for the business of launching satellites the U.S. has been losing market share to the French Ariane and risks doing so to other government-subsidized foreign competitors. Ariane now controls over 50% of the world's market for the deployment of non-government satellites. This level of competition by Europe in a market that used to be largely the province of the U.S. Aerospace Industry is a serious threat to its health if not survival, especially given the present downsizing of their military business as a result of the demise of the Cold War.

On the up side, the demise of the Cold War has removed a major obstacle to changing U.S. policies and priorities vis-a-vis space. The decline in the military threat to the U.S., whether real or perceived, has placed increasing importance on technological leadership as the best means of assuring long term security in an uncertain world. U.S. space sciences and engineering are at the forefront of progress in this area. Assured access to space is essential not only to national security in out years, but also to economic growth and technological leadership. And 35 years of space activities have suggested that, given cost-effective access, there is money to be made there by free enterprise – again if only they can get up there cheaply enough.

All these elements are now coming together to demand that industry and government do something, NOW, to provide relatively inexpensive, safe, on call, and reliable transportation from earth to space, and there are proposals on the table to do this. The problem is not technical feasibility; it is to overcome vested interest opposition and foot dragging as a necessary step for the U.S. to get "a leg up" in the steadily growing space market.

A first step in doing this has already been taken. In 1990 a group called High Frontier recognized the need to divorce travel from what is carried on launch vehicles, and created the Space Transportation Association (STA). Its premise is that space travel and transport should henceforth be treated as a service similar to air, land and sea travel. Several of America's leading aerospace corporations are now founder members of STA.

In the late 1980's both NASA and DOD recognized the need for new transport capabilities and vehicles. Unfortunately, being the principal employers of those that would be most affected by change of substance in this area, they initially proposed to merely upgrade the systems they now own and operate. This proposal became known as

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the National Lift System or NLS. At least all agreed the space-launch business needed special attention.

The goal having been established, the question then was how to go about realizing it. Merely modernizing old systems, while adequate to meet projected U.S. government lift needs for the next decade, was unlikely to help U.S. industry cope with growing foreign competition. The price tag quoted by NASA and DOD of over $11 billion also made it obvious that this approach would not do anything to help the private sector exploit space. The trouble is that the origin and "genes" inherent in the old munition-derived systems precluded their ever being able to achieve the reliability, safety and cost characteristics needed for these last two goals. While some improvements can be made by upgrading existing systems, nothing short of a *new family* of vehicles specifically designed for economical and safe travel can hope to achieve the competitive and free enterprise business needed to maintain a U.S. lead in space and a healthy U.S. aerospace industry.

Meanwhile, recognition of the feasibility of building a new family of space transportation vehicles had been growing throughout 1980's. Progress in electronics, government investments in new materials under programs such as that of the National Aerospace Plane (NASP), and improved rocket engines suggested to engineers and scientists alike that the time had come to design a first-generation space-lift transport that would provide at least an order of magnitude improvement in cost and performance over all existing systems.

In 1989 the Strategic Defense Initiative Office (SDIO), charged with implementing President Reagan's SDI program, invested in an evaluation of the feasibility of a new approach to space transportation that had been advocated by private sector space engineers for more than a decade. This was a Single Stage To Orbit whose adoption, if successful, would eliminate the throwaway elements of today's launch systems. The proposed SSTO's would be able to survive most failures throughout their flight regime. It would be built for simple servicing, safe inland base operations with minimum infrastructure and a quick turn-around capability. In other words they will approach aircraft performance in these areas.

This SDIO effort was motivated by the need to reduce the likely cost of deploying the several hundreds of satellites, Brilliant Pebbles and Brilliant Eyes, called for under the then SDI program for missile defenses. Asking for funds to do this with existing systems would have broken the Congressional Bank.

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This relatively small, $35 million, SDIO initiative opened the door to government validation of the feasibility of building a wholly new family of space transportation vehicles. For the few private companies that had previously tried to do this, it answered their banker's inevitable question: "If it's such a good idea, why is not government doing it?" On the down side the SDIO initiative started a fight with those who, for whatever reasons, considered the SSTO as a threat to whatever they were doing or advocating, such as the NLS.

In 1991 SSTO and NLS clashed head on. The $11 billion-plus NLS elephant tried its best to eat the little $35 million SSTO's lunch, first by questioning SDIO's right to get into the launch system research business and, second, by trying to get its budget taken away from it in every fiscal year submission. Fortunately by mid-1992 the prospects for the new SSTO system caught the attention not only of industry but also of members of the Congress and of the Vice President as head of the Space Council. What was the outcome? A few month ago, in October of 1992, Congress in its wisdom zeroed the NLS request for its FY94 funding – with prejudice – and supported the modest investments in the fledgling SSTO program. But, the fight is far from over.

The Foreign Competition Factor

Recent aerospace industry interest in the world market for space transportation, and related concern not only over the European Space Agency's (ESA) inroads into the space-launch business but also the French Airbus' growing threat to U.S. commercial aircraft sales, have accented the need for drastic actions to protect American access to these two high technology and potentially high revenue markets.

Foreign competition trends in space transportation, while only one small segment of international economic problems the U.S. now faces, are a classic test-tube example of what technological progress harbors and how domestic infighting and bureaucratic vested interests can have dire consequences on our world leadership, security, and economic well being. As such, this problem is well worth examining.

The situation the U.S. faces today in competing in the world's commercial space transportation market can be summarized as follows:

1. U.S. space-launch systems are being priced out of the market by heavily subsidized foreign competitors.

2. There is insufficient Government funding to ensure either the

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competitiveness of current U.S. launch systems or the development of fundamentally new launch technologies.

3. The market for space-launch remains a near monopoly of government and is too thin to sustain the current U.S. industrial base.

The foreign competition that the U.S. launch industry now faces stems primarily from three sources: Europe, Russia and China. While other contestants (such as Japan and possibly India) are "coming on line," these threats remain distant due to the high expenditures and advanced technologies associated with major space programs. The main problem in coping with foreign competition lies in the fact that the world market is divided into two distinct categories: market and non-market competitors.

Market competitors are those nations whose industries compete on the basis of classic free enterprise factors such as pricing, performance, established reputation, the quality of services they offer, and their real market costs – for both operations and equipment. Non-market competitors are those nations who own or subsidize all or part of, the products or capabilities their industries offer.

Most of America's foreign competition in this market comes from nations that are non-market competitors, though in various degrees. In any battle for market shares most non-market nation space-lift industries have the advantage of being able to quote any price necessary to close a deal, while market-nation industries are obviously obliged to cover, at minimum, their operating costs and a share of sunk costs. This is not a pure black-and-white situation. The U.S. government subsidizes as well, but less blatantly; U.S. companies are not charged for all sunk costs or launch infrastructures. This allows them "marginal pricing."

Another, if lesser, consideration in the competition for space transportation is the thin nature of the market. At present the market consists of a relatively small number of commercial and civil customers per year. Given the high prices associated with each event, and the small number of events each year, differing policies on government subsidies, regulations affecting foreign sales, and even decisions on such issues as surplus military boosters, can have major consequences on market shares. In large markets with many transactions the impact of, say, government paying the sunk costs in vehicle developments or infrastructure is relatively small compared to the impact of a very thin

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market, such as space-launches.

The Administration recently announced that it has authorized the export of U.S. satellites and satellite components to China. While this export will bring in some $650 million for U.S. satellite and electronic industries, it also allows five lucrative launch contracts for China's Long March rocket system during the next few years. Given the thin potential near-term worldwide market for launches, and Ariane's ability to command close to 50% of that market, what could be left for America to compete for is unlikely to support a healthy U.S. industrial base.

For the past five years America has been losing market share in the commercial space-launch business. The U.S. cannot remain competitive when its foreign competitors, offering essentially similar capabilities, can constantly underbid American companies. There are only two ways to level the playing field: either by offering superior services and systems on the basis of U.S. technological advantages, or by seeking government-to-government agreements on pricing and access to markets.

An example of the first solution can be found in the commercial air market, which the U.S. once dominated with its near exclusivity of good jet aircraft. This bought the U.S. years of leadership. But once the U.S. lost its technological lead, and foreign manufacturers acquired the ability to offer roughly equivalent systems and services, the subsidized Europeans managed to take over about 25% of the market with AIRBUS. In the interim, however, increases in market size coupled with international agreements have worked to reduce the advantages of non-market competitors.

In like fashion, now that most competitors in space-launch capabilities are offering basically similar vehicles and performance, price again became the dominant factor. This suggests that unless the U.S. can come up with a new generation of launch vehicles whose performance and characteristics are such as to offset foreign pricing advantages, retaining a significant share of the world market, as it increases, will be difficult.

The Russian (CIS) Factor

Much concern has been expressed over the potential of the Commonwealth of Independent States (CIS) to dump large numbers of launch vehicles on the market to the detriment of free enterprise and fair competition. These would be the boosters acquired under the

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non-market Soviet economy. The Russians and other ex-Soviet nations obviously need hard currency and these are excess assets whose real costs are either academic or unknown. Should the CIS exploit these, they could obviously undersell any competition.

This is a near-term threat that cannot be ignored. It is, however, one that will probably have to be dealt with by U.S. policies, regulations, treaties and trade agreements until and unless the CIS adopts a true market economy.

Until the CIS makes progress towards a real market economy, and starts to account for resource costs, this CIS threat should be considered as a special case in worldwide trade. As such, it is not germane to what the U.S. does to solve the long term problem of how best to level the space-launch playing fields, worldwide.

Importance of Private Sector

If America is to acquire and maintain a growing, healthy and competitive position in space transportation, United States commercial space transportation activities must be greatly increased in magnitude and character so that U.S. industry will have the opportunity to see their national businesses grow and prosper. By so doing, the aerospace industry should be able to attract a large fraction of the international space business and any growing U.S. defense business as well.

The private sector, now consisting almost entirely of the satellite communications business and a small but rapidly growing satellite navigation and position-fixing business, does not provide enough payload potential to tax existing U.S. space transportation capacity. Some new satellite communications concepts, if realized, would call for some increase in payload, but this eventuality will be offset by increasing efficiency in communications circuit use and increasing communications satellite on-orbit useful lifetime.

The U.S. public sector, civil plus military, launches about 500,000 pounds of payload to space each year, and the private sector about another 100,000 pounds per year. This amount has not varied much for several years. And, given the likely course of events in DoD and NASA, there is little prospect that this rate will increase much in the foreseeable future.

In order to get a substantive increase in space travel, hence launch business, American technology will have to be exploited in an effort to develop and offer to the market-place space transportation vehicles with reliability, safety and operational cost characteristics approximat-

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ing those found in commercial air transportation systems. To achieve this would likely require a new generation of U.S. launch vehicles. Meanwhile government lift requirements for U.S. and possibly some foreign government space activities will have to be met largely from existing types of systems. These should be upgraded wherever this is cost effective.

It is now time for the private sector to assume its classical role – that of producing goods and services of ever-widening market appeal at decreasing unit prices that allow and prompt many to avail themselves thereof. This is because classical government behavior, driven as it is in peacetime by political logic and process, simply does not focus upon economic efficiency – it focuses, rather, upon political effectiveness. The task ahead is, therefore, to fashion a form of private sector-government cooperation that would be effective and also acceptable to our major public and private space interests. And this must be done quickly, in the face of growing international competition.

The U.S. Space-Launch Situation

The U.S. launch industry vehicle complement now consists primarily of Atlas, Titan, and Delta ELV's and the STS, along with some smaller launch vehicles in the lighter payload range. Most of these were derived at a time when Cold War imperatives and technological limitations precluded any other approach. Most of today's systems have been greatly upgraded in recent years, along with their infrastructure. But the fact that they were derived from modifying military munitions places inherent limitations on their achieving the characteristics or performance advantages required to compete in the commercial and private sector.

America's foreign competition in space transportation also relies on vehicles with similar origins and characteristics. Since foreign competitors depend upon similar vehicles, they can be expected to do as much as the state of the art will permit to upgrade these as quickly and effectively as the U.S. So long as foreign competition remains based upon roughly equivalent existing types of launch systems, pricing of services will remain the decisive factor in the commercial and private launch sector and to the detriment of U.S. market shares. Merely upgrading existing systems as a means of competing for the foreign or domestic commercial and private markets is not a practical long-term solution for any country with a market economy.

The immediate problem is one of keeping our current launch

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systems competitive pending the advent of technologically advanced systems which can compete despite government subsidies in non-market economic systems. This calls for government action in international agreements and federal regulations to protect U.S. launch industries. However, it is imperative that these actions be taken with the clear understanding that they are interim, emergency solutions.

The prospects for leveling the playing field in the world launch market through international agreement do not look good. The Russians might be persuaded to accept a pricing formula which included consideration of sunk costs, but only because the current CIS governments are so dependent upon financial support from the West. It is less likely that the Chinese and even the European Space Agency can be persuaded to refrain from their successful subsidization policies.

While the U.S. could deny U.S. companies interested in deploying payloads into space the right to shop cheaper foreign carriers, this would only be of marginal help to the U.S. launch industry and would likely be at the expense of U.S. satellite manufacturers who would eventually lose overseas sales as a result. It would also make it less attractive and more costly for the U.S. private sector to participate in the exploitation of space. Put bluntly, it is highly unlikely that the competitiveness of the U.S. launch industry in the world market can be sustained by causing foreign governments to adopt U.S. pricing rules or by regulations on our own aerospace industries that defy the laws of supply and demand. The solution to our near-term problem, nonetheless, may require the U.S. government to adopt such measures, but also to adopt some of the practices of the foreign competitors; i.e., *de facto* subsidies. For instance, the U.S. Government must be prepared to pay higher prices for launches of government payloads to permit the U.S. launch industry to compete successfully on the world market with lower prices. The world market price for U.S. launches should include little or no pay-back charges to the government. Tax breaks should be brought to bear as well.

This is bad-tasting medicine for the free-enterprise U.S. economic system and we must avoid becoming addicted to it. But it is necessary for short-term protection of an industry vital to the security and economic well-being of the nation.

Whatever course of action is adopted, a vigorous technology program must be adequately funded and pursued on behalf of both modernization and new system developments. Existing systems will obviously have to be relied upon to implement U.S. space programs

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until new ones can be developed and made available. The existing systems must also be upgraded to the extent required for the U.S. to retain its present position. On the other hand, the ability of the U.S. to compete effectively for commercial markets, reduce overall U.S. launch costs, and open up space to the private sector as necessary to ensure and sustain a dominant U.S. role in the long term will require a new generation of vehicles.

What America Should Now Do

A sensible course of action to relieve current pressures on U.S. space-launch industries and to insure their health and growth in the future is for the U.S. to try to exploit its technological advantages by being the first to field a new and different launch vehicle that, until copied, can grab most of the market by virtue of its superior characteristics.

This means exploiting temporary exclusivity in superior performance to get ahead of the competition and then, each time they catch up, keeping ahead by bold leaps forward. This means that for space-launch systems, we should start with an SSTO and then follow up, possibly, with a NASP.

Pending the deployment of each new generation of systems, the U.S. may have to use regulation and even *de facto* subsidies to maintain the competitiveness of the existing systems. This is acceptable providing it does not detract from the priority given to leaping forward at every opportunity. Since the bulk of the world market is in light-to-medium weight payloads, the emphasis in new technology launch systems should be on that class of vehicle.

Expansion of the launch market is probable with the advent of a radical reduction in launch costs. (And it is *not* likely in the event of only a modest reduction in costs.) The markets most likely to expand are commercial and military. Government and industry should make a concerted effort to estimate the scope and timing of market growth, given radical launch cost reductions. Further, they should propose and encourage the formation of private enterprise space-launch and service companies.

In simple terms, substantive growth in the demand for space transportation should come from two sources: (1) Providing inexpensive lift that will attract free enterprise space ventures such as space tourism, etc., and (2) The growing trend toward using cheap, shortlife, small satellites in LEO for intelligence, weather, communications,

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warning, global positioning, and other services now mostly provided by a relatively few multi-billion dollar, long life, satellite "battleships" in GEO.

A breakthrough in cost-effective launch systems in the light-to-medium payload class is crucial, but this will not solve all launch requirements. Improved heavy launchers will still be required and should be kept competitive in the world market beyond the next decade. Very heavy launchers, such as those required for the Space Exploration Initiative (SEI) mission, are in a class by themselves. Such launchers are never likely to become subject to market pressures as they are part and parcel of the expensive and prestigious payloads they are designed to carry. Budget, not market forces, determine their future.

This course of action demands increased but disciplined government support of space-launch research and development. Government supported programs should meet two basic requirements: they should be applicable to the upgrade and incremental cost reduction of current U.S. launch systems *and* applicable to systems required to meet the longer term goal of truly advanced launch systems and radical cost reduction.

Finally, U.S. leadership in space can only be perpetuated into the next century by opening up space to America's free enterprise, private sector. Doing this is a "chicken and egg" proposition. The private sector funding that should do this won't take place until cheap enough transportation into space is available to permit reasonable prospects of profit-making ventures. And the cheap transportation needed will not become available until the government assumes the responsibility for developing and testing it, whether or not government space programs require it.

The U.S. government has to assume most of the front-end fiscal and technological costs and risks if America is to acquire the space transportation capabilities necessary for the U.S. to henceforth compete effectively against foreign competition from non-market economies. This will require giving priority to promising high risk new launch technologies and programs as was done for military efforts in the cold war era. This is the bottom line.

The views in this article reflect, in part, those in a Space Transportation Association (STA) Foreign Competition position paper, the author being a Director of STA.

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The Gulf War and the Price of Oil: Prospects for the Medium Term

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Introduction

The Kuwaiti crisis of 1990-91 radically changed the shape of oil politics. The OPEC cartel is now more divided then ever, and the conflict in the Gulf will have severe financial repercussions for the region's countries for a number of years to come.

On a fairly obvious level the crisis tilted the balance between Iran and Iraq which had been heavily in Baghdad's favor towards Teheran. Clearly, it means that Iraq's prospects of becoming the first populous state in the Middle East to achieve a fully industrialized and diversified economic base are dashed for the foreseeable future.[1] Much less obvious are the ramifications for long run oil prices, and thus the economic position of the other Gulf countries. Not since the early 1970s has there been more uncertainty concerning the economic fate of these nations. Already many of the countries have undertaken radical restructuring of their development plans, together with accompanying social and political strains. Whether or not many of these countries will be able to maintain stability, will depend on future developments in world petroleum markets.

The main purpose of this paper is to gain some perspective on these issues by assessing the likely movements in world oil markets over the next decade. In doing so, the first part of the paper examines some of the patterns and longer run trends that characterized oil markets prior to the Iraqi invasion. The second part assesses the impact that developments since the liberation of Kuwait have had on these fundamental market dynamics. Based on these factors, the final section of the paper draws several conclusions concerning future oil

[1] John Roberts, *War for Oil? Energy Issues and the Gulf War of 1991* (Boulder, Colorado: International Research Center for Energy and Economic Development, Occasional Papers Number Thirteen, 1991), p. 1.

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prices and the distribution of economic power in the region.

Key Factors Affecting the Price of Oil[2]

After more than two decades[3] of experience in forecasting prices and production levels, analysts have developed several general principles concerning the functioning of oil markets.[4] One notable advance is that energy is no longer thought of as exempt from the laws of supply and demand. It was not very long ago that energy was viewed as a necessity and as such was unresponsive to price. Similarly, supply was thought to depend more on the whims of nature than on the ability to find and extract the mineral.[5]

The situation regarding demand before the Iraqi invasion contrasted sharply with the beginning of the decade. In the first quarter of 1981, world oil consumption was about 56 million barrels per day and the price of oil was $48.64 per barrel (in 1988 dollars). In the first quarter of 1988, world oil consumption was again about 56 million barrels per day. Yet the price of oil had dropped to below $12 per barrel despite worldwide economic expansion.

Several studies have documented the events, market responses, and adjustments that contributed to these patterns:[6]

1. The Iranian revolution and the onset of the Iran-Iraq War reduced world oil production between 1979 and 1981, pushing prices up. Because short-run oil demand is very inelastic (relatively price insensitive), the reduction in supply

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[2] The following section draws heavily on Robert Looney "World Oil Market Outlook: Implications for Stability in the Gulf States" *Middle East Review* (Winter 1989/90), pp.30-39.

[3] For an excellent overview and assessment of OPEC's attempts at coordinating policy and resolving conflicts see M.S. Ahrari, "Conflict Management of the OPEC States," *Mediterranean Quarterly* (Summer 1991), pp. 86-109.

[4] Douglas Bohi, "Evolution of the Oil Market and Energy Security Policy," *Contemporary Policy Issues* (July 1987), p. 21.

[5] *Ibid.*

[6] See for example Samuel A. Van Vactor and Arlon R. Tussing, "Retrospective on Oil Prices," *Contemporary Policy Issues* (July 1987), pp. 1-19; Stephen P.A. Brown and Keith R. Phillips, "Oil Demand and Prices in the 1990s," *Federal Reserve Bank of Dallas Economic Review* (January 1989), pp. 1-10; Michael Olorunfemi and Maria Knobl; "OPEC's Experience in the 1980s: Shaping its Strategies for the 1990s," *OPEC Review* (Spring 1991), pp. 1-12 Cyrus Bina, "Limits of OPEC Pricing: OPEC Profits and the Nature of Global Oil Accumulation," *OPEC Review* (Spring 1990), pp. 55-74; Robert Bacon, "Modelling the Price of Oil," *Oxford Review of Economic Policy* (Summer 1991), pp. 17-34; and Klaus Matthies, "The OPEC After Thirty Years," *Intereconomics* (September/October 1990), pp. 253-256.

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pushed prices sharply higher.

2. The oil consumption and price combination that prevailed in the first quarter of 1981 could not be sustained in the longer run. In the absence of economic growth, a sustained price of $48.64 per barrel would eventually have reduced U.S. oil consumption by about 40 percent – from 16.5 to 10.2 million barrels per day. On the other hand, for U.S. consumers to continue to absorb 16.5 million barrels per day without economic growth eventually would have required an estimated price of only $20.61 per barrel.

3. U.S. consumers require nearly a decade to adjust fully to changes in oil prices. Oil consumption responds slowly to price changes because substantial changes in the ratio of oil consumption to output require new capital investment.

4. As short run demand adjusted to prices during the 1980s, the market price and quantity of oil consumed were pushed down. Non-OPEC oil producers added to the downward pressure on price as their production decreased. Beginning in 1981, however, OPEC moderated downward pressure on prices by reducing its own production.

5. Nonetheless, short-run demand continued to decline and non-OPEC oil production continued to rise. OPEC's continued attempts to support prices reduced its production to about 14 million barrels per day by mid-1985, less than 50 percent of its total capacity.

6. OPEC's attempts to support prices ended in a well-publicized failure. Excess capacity and the incentive for OPEC members to cheat on quotas led to a surge in OPEC production. With demand being inelastic in the short run, the surge in production caused a price break in late 1985 and early 1986. Thereafter, OPEC was unable to restrain its production sufficiently to drive prices back up to earlier levels.

The above analysis indicates that consumption responds symmetrically to rising and falling oil prices. Given this adjustment mechanism, the price of $15.47 per barrel in early 1989 would have eventually

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increased U.S. oil consumption by an estimated 35 percent – from 17 to 23 million barrels per day. On the other hand, for U.S. consumption to remain at 17 million barrels per day, in the long run prices must rise to an estimated $26.63 even without economic growth.

While longer run movements in oil price are easily explained in terms of market responses and adjustments over time, shorter run movements are still difficult to predict. In fact, it is fair to say that we have only begun to understand the mechanisms controlling month to month (or even year to year) changes in price. Even the dramatic fourfold increases in oil prices in 1974 and the threefold increase in 1979 during a period of stable supply appear to defy the normal laws of supply and demand. It is now clear that inventory demand fluctuations set off by supply interruptions can contribute a great deal more to the shortage in the market and to the severity of the price shock than can the initial supply reduction.

Similarly, we lack complete explanations of the price declines in January 1986 – not of why the price fell, but of why it took so long to happen and then fell so far. The downward pressure had been enormous for years, as world-wide consumption declined by 23 percent between 1979 and 1985 and remained steady through 1985. Even the futures market anticipated a price decline for nearly three years before it occurred, as suggested by the discounts on long term contracts relative to shorter maturities during most of that time. Also indications now exist that the market was surprised by new information in January 1986. Saudi Arabia announced its intention to increase production three months before the price drop, and OPEC failed to reach a new accord in light of the Saudi action one month before.

The most popular explanation of recent oil price movements is that, beginning around 1972, OPEC began exerting its market power to control the world oil price.[7] Certainly, OPEC possessed the potential market power to control the oil price: during most of the 1970s, OPEC countries produced more than two thirds of total free world output and accounted for nearly 90 percent of all oil involved in international trade. Nevertheless, little evidence exists that OPEC exercised its market power. Political events, and not OPEC decision making, were the catalysts that initiated the two oil price shocks and,

[7] This interpretation is at best misleading and at worst simply incorrect. See for example: Mohammed Ahraari, *OPEC: The Falling Giant* (Lexington, Kentucky: University of Kentucky Press, 1986).

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as noted, reductions in supply do not explain the price shock that occurred.

OPEC production slowed[8] slightly during the first three months of 1974 and again during the first three months of 1979. However, total OPEC production for 1974 matched that for 1973, and total production for 1979 exceeded that for 1978. What production figures from these two events do not reveal is the extent of the shortages caused by the demand side of the market, in particular, surges in inventory demand.

Unfortunately, the extent of the inventory demand shock cannot be fully described because the only available inventory data refer to primary stocks in OECD countries and nearly all stocks held outside the OECD countries are unknown. Still, more than just anecdotal evidence exists to indicate that considerable hoarding occurred downstream from refineries. Immediately after the Iranian revolution began in October 1978, refined product stocks fell sharply in all OECD countries even though crude oil supplies and refining throughout continued unabated.

Deliveries from refineries to downstream markets continued at an unusually rapid pace through the first three months of 1979 – indeed, too rapid a pace to be explained by a consumption increase – until the process finally slowed in mid-1979 and refiners began to rebuild their stocks. By this time, most of the price increase had already occurred. Refiners continued to build their stocks to record levels over the next 12 months, and in prices offset this slow-down in consumption that would soon dominate the market.

In short, past forecasting errors can be blamed partly on the one to two year lag in completing accurate data and the inventory adjustments underway in the oil market during this period. Long term trends were difficult to identify, much less to quantify. One thing is clear, however; the results of a sound projection methodology should be relatively insensitive to current events. In this light, it is interesting to compare various Department of Energy (DOE) crude oil price forecasts for 1990 with the average price for the year in which each report was prepared.

In 1977, the DOE projected that oil prices in 1990 would average $24 – the same price level that prevailed in the year the forecast was made. In 1981, after prices had nearly doubled, the DOE projected a

[8] The following is based on Bohi, *op.cit.*, pp. 23-25.

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nearly 50 percent increase during the following nine years. Subsequently, as current prices have declined, projected oil prices have declined even more rapidly. Projections made by Data Resources Inc., Chase Econometrics, Wharton and the other major forecasting services show a similar pattern.[9]

Clearly, projecting oil prices, particularly specific figures for specific years, is highly speculative. More realistically it is better to view oil price movements as cyclical. In this regard, the rise and fall of oil prices from 1969 to 1986 is unlikely to be repeated in the extreme.[10] The depths to which prices sank during the 1960s drove out most competing fuels.[11] When prices ascended a few years later, most fuel using equipment was designed to burn only a narrow range of petroleum products. In the short term, consumers had little choice other than to pay higher fuel prices.

As time went on, however, consumers learned to conserve energy and adopted flexible burner tip designs. Worldwide, coal and gas consumption expanded while oil demand contracted. If historical experience is any guide to future behavior in global energy markets, the active presence of competing fuels again will tend to hold down the oil price cycle. In this event, competition among fuels will most likely prevent a complete collapse of oil prices.

In world energy markets, oil penetrates very rapidly into the bulk fuel market when its price is less than $10 per barrel. Under such circumstances, global oil consumption could increase by 2-3 million barrels per day within a few months, largely at the expense of coal, and could continue to grow by as much as 5 percent per year as oil captured virtually the entire increment in world energy demand. Thus, oil prices below $10 are stable only if very substantial oil reserve discoveries occur, such as those that took place during the 1950s and 1960s.

On the other hand, competition among fuels prevents oil prices

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[9] Samuel A. Van Vactor and Arlon R. Tussing, "Retrospective on Oil Prices," *Contemporary Policy Issues* (July 1987), pp. 12-14.

[10] A view also put forth in George C. Georgiou, "Oil Market Instability and a New OPEC," *World Policy Journal* (Spring 1987), pp. 295-312. See also Arlon Tussing, "An OPEC Obituary," *The Public Interest* (Winter 1983), pp. 3-21; and Jahangir Amuzegar, "A World Without OPEC," *The Washington Quarterly* (Autumn, 1982), pp. 60-70.

[11] The following is based on Van Vactor and Tussing, *op.cit.*, pp. 15-18; and Walter J. Mead, "The OPEC Cartel Thesis Reexamined: Price Constraints from Oil Substitutes," *The Journal of Energy and Development* (Spring 1986), pp. 239-42.

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from sustaining a level much above $20 per barrel. In the longer term, coal from South Africa, Australia, the United States and other producing areas can easily be delivered into major European and Asian markets for $20 to $25 per barrel equivalent. Natural gas is an even stronger competitor.

A final fact that we have learned from past experience is that day to day oil price changes are driven by Saudi Arabian production decisions more than by anything else. Since the drop in demand and price peak of 1981, oil prices could stabilize above their earlier levels only because the Saudis and a few other OPEC members were willing to decrease production to balance the market. In the summer of 1985, however, Saudi production had fallen to 2.5 million barrels per day--about one half of the country's OPEC production quota and nearly a 509 percent drop from the production levels of the summer before.

The only way that the Saudis could restore their production and stem the erosion of their export revenues was to retreat on price. They did so through a set of complicated "netback" agreements that guaranteed profit margins to refiners buying Saudi crude oil. As they executed these agreements, Saudi officials warned that they were no longer willing to act as swing producer. Simply stated, the Saudis lost control of the marginal barrel of crude oil and thus the ability to set prices.

What does all this tell us about future Saudi policy over prices or output? As late as 1972, the major oil companies projected Saudi crude oil production potential in excess of 20 million barrels per day. Such an output is still possible, and the investment required to arrive at the production level is an order of magnitude lower than the cost of providing a similar increment in primary energy supply from any other set of resources. It is a reasonable assumption that the Saudis now realize that higher capacity levels should have been installed during the mid-1970s to prevent the price run-ups of 1979 and 1980. (The Saudis themselves wittingly or unwittingly helped engineer those price increases by holding back on production).

So long as Saudi Arabia's leaders are rational, they will price their energy just below the costs of their closest competitors. In the short run, that competition is from other sources of oil such as natural gas in North America and Europe, where the long distance transmission infrastructure is more than adequate to meet current demand. In the longer run, the competition is from coal and new natural gas supplies, including the substantial cost of adding to transport capacity. Thus,

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the most important determinant of oil prices in both the short and the long run should be competition among fuels in the bulk fuel market. Put another way, the marginal supplier of energy to the world will base its price on the marginal uses of energy and the marginal development costs of fuels competing in that market.

Because the Saudi reserves are unlikely ever to be worth more than the value of substitute bulk fuels, the Saudis have little economic incentive to restrain development of their fields. In short, Saudi Arabia has both the incentive and the ability to meet the world's incremental energy demand through the rest of the century and at prices comparable to those that prevailed in mid-1986.

In sum, the interpretation of oil markets put forth here assumes that:

1. The tenfold increase in crude-oil prices during the 1970s can be explained by major shifts in market forces, without the need of a cartel theory.

2. From 1980 through mid-1985, evidence of some cartel behavior appeared, including dominant producer(s) control over output.

3. The ability of OPEC or dominant producers within OPEC to attain its (their) price objectives will continue to reflect the basic problems of a non-government enforced cartel – the strong incentives to agree and then cheat, the lack of any enforcement mechanism, and the fact that about 70 percent of world crude output is outside OPEC. These basic problems have not been eliminated by recent agreements.

4. Higher oil prices have led consumers worldwide to conserve on their use of oil. This market mechanism will constrain future oil price increases. But in the early 1990s, crude prices must increase due to the non-renewable character of crude oil.

5. The important and large scale immediate substitutes for oil, which led to oil price reductions in the mid-1980s and which will constrain future price increases, include large reserves of tar sands, heavy oils, coal and nuclear in electric power generation and wind energy conversion. These substitutes are

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sufficiently large and low cost so as to be expected to prevent crude oil prices from again rising above approximately $20 per barrel (1986 dollars) at least until 1993.

At the time just prior to the invasion of Kuwait, these general considerations lead to a likely price scenario whereby oil markets were assumed to continue the adjustments that began the early 1980s. This scenario assumed that oil markets had not yet completely adjusted to worldwide excess capacity in the producing countries, with the net result that prices and/or production levels will continue to fall in the early 1990s: By the mid-1990s:[12]

1. short-run demand was expected to increase from the unsustainable combination of oil consumption and price that characterized the late 1980s and early 1990s. Adjustment was expected to be slow. Nevertheless, together with a growing world economy and low initial prices, the adjustment was thought to result in strong growth in oil demand from the mid-1990s onward.

2. As a first approximation, given the low prices in the late 1980s, the growth rate in consumption was anticipated to begin to increase from around 2 percent per annum in the early 1980s to 9.5 percent by the end of the century.

3. This rate of consumption can not be sustained throughout the 1990s, however, since it would result in levels of demand greater than the world capacity to produce oil – little capacity is likely to be added with the low oil prices that will bring about the rapid growth in oil consumption.

4. Clearly, given the demand they are likely to stimulate, 1989 prices could not be sustained throughout the decade of the 90s. Previous experience had shown that as OPEC is pushed to full capacity oil prices rise.

5. Nearly all excess capacity to produce oil was in OPEC. Given a wide range of consumption scenarios, OPEC was expected

[12] Following Browth and Phillips, *op. cit.*, pp. 4-6.

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to come close to full capacity between late 1992 and early 1993. At or below a price of $25 dollars per barrel, OPEC could reach full capacity no later than early 1993. By that year a price of $25 per barrel could prove too low – if world capacity did not rise.

6. Similarly, with world economic growth rates between 2.0 percent and 3.0 percent, oil prices could reach $30 to $40 per barrel by the year 2000.

Of course, these price forecasts are dependent upon a number of assumptions. If world capacity to produce oil is decreased, if OPEC restricts its production, if oil supplies are disrupted or if economic growth is stronger, oil prices will be higher. On the other hand, if world capacity to produce oil is increased, if economic growth is weaker or if energy taxation is increased, oil prices will be lower than those forecast above.

The Future – as Seen Post-Invasion

Clearly, OPEC was unraveling at the time of the Kuwaiti invasion: its discipline undermined by evaded quotas, declining output and international strife. But OPEC had been looking forward to a revival as its share of world oil production increased during the mid to late 1990s. The invasion of Kuwait put such as revival into question. As the *London Economist* noted in August 1990, the invasion of Kuwait will most likely put an end to this scenario. According to the *Economist*:[13]

1. Developed countries will now favor supplies from outside the Gulf and alternatives to oil, such as natural gas.

2. Conservation will also become more attractive, depressing demand.

3. Even before the invasion a number of observers believed that because of worries about global warming and environmental damage, demand would be less than the consensus forecast.

4. Worse than that, the *Economist* felt the Iraqi action would give

[13] "The End of OPEC" *The Economist* (August 18, 1990), pp. 55-56.

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> a boost to non-OPEC exploration. OPEC supply should also increase. Before the invasion, Cambridge Energy Research Associates had predicted that OPEC's large producers would add about 7 million b/d of extra capacity over the next five years – roughly matching the increase in expected demand. Unless producers cut their investment, the world may again find that capacity in the Gulf outstrips demand. If so, discipline over production looks a more futile ambition than ever.

On the other hand, the Economist felt that a price war was unlikely since, although the three big Gulf producers – Saudi Arabia, Iran and Iraq – have plenty of reserves to increase production, they could ill afford a collapse in the world oil price. All should be desperate for money. Iran and Iraq need money to repair war damage. Saudi Arabia's falling oil earnings caused it to run up budget deficits totalling more than $90 billion in 1983-89.

Presumably the net effect of these forces would be to usher in an era of relative price stability in the forceable future. This view was more formally elaborated by Daniel Yeargin a year after the invasion.[14] According to Yeargin this period of calm for oil producers and consumers will result because:[15]

1. The United States, along with some coalition partners, has assumed an explicit role in assuring the secure flow of oil and that certainly affects the orientation of the oil exporters. OPEC, as always, reflects the balance of interests and power among its members.

2. Saudi Arabia is more dominant among the exporters than ever. Committed to moderate prices and stable supplies, it has no doubt that its fortunes depend on the Western economies; and with a quarter of proven world reserves it wants to be assured of a long-term market.

3. At the same time, the crisis demonstrated that Saudi security is entwined with the West. But the Saudis' strategy is not

[14] Deniel Yergin, "Less Oil Politics and More Oil Business," *International Herald Tribune* (August 5, 1991), p. 6.
[15] *Ibid.*

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much different from that of most other exporters who have much greater respect for the power of the marketplace today than in the era of nationalism. They have learned that customers count and they want to demonstrate they are reliable suppliers. Even Iran is showing some stirrings in that direction.

4. The economic imperatives of the 1990s also are pushing the exporters toward a new flexibility. With the question of sovereignty over oil resources resolved in their favor, they are now preoccupied with more pragmatic and acute needs – chiefly foreign capital and technology.

5. They need more income from oil just to keep up with their rapidly growing populations. And since they are unlikely to gain more revenue from much higher prices (because they will lose customers) they need to pump more oil. And that requires new investment in exploration and production capacity.

6. How will they pay for it? There is a general expectation of a capital shortage in the 1990s. So one place oil exporters will look for investment funds is in the once banished foreign oil companies. As a result, doors that slammed shut with nationalization in the 1970s will swing open again in the 1990s, and companies will find themselves exploring and producing in territories they never expected to see again.

7. In the aftermath of the Gulf crisis, attention has actually shifted away from the Middle East toward the former Soviet Union, which will become a more important, if uncertain factor in international oil. If a secure contractual basis can be established with western oil companies, several of the former Soviet Republics may in some degree help balance the world's dependence on Middle East oil.

8. The biggest battle over oil in the 1990s may not even concern producing countries directly, but will be the struggle within the industrial countries over energy needs and environmental values. It could turn out that America's "energy strategy" is actually embodied in initiatives such as the 1990 Clean Air Act.

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9. Whether economically correct or not, there is an unprecedented state and federal effort to regulate into existence a market demand for alternatives to gasoline, challenging the basic role of oil. The petroleum industry is anticipating a huge bill for the new environmental investments. Perhaps oil demand, not oil supplies, will be the big question in this decade.

Compounding OPEC's problems was a new interest and advocacy on the part of industry leaders in the West in encouraging their governments to pursue policies undermining what remained of OPEC solidarity. In several cases, these views seemed to reflect official government policy. For example, Edward Morse, the influential publisher of *Petroleum Intelligence Weekly*, argued that:[16]

1. The main problem of the oil market is that it is the largest segment of international trade without any clear rules. The result has been imbalance, disruption and price shocks.

2. What should be done is simple: the world's largest oil consumer and importer, the U.S., and the largest exporter, Saudi Arabia, can build a new oil regime by taking painless actions that serve both their own and global interests. And in the aftermath of the Gulf War they have a remarkable opportunity to do so.

3. The two countries can start by negotiating a bilateral agreement based on a concept the Saudis have already proposed by urging that "reciprocal security" should be the cornerstone of oil relations. In return for even modest demonstrations of good will, the Saudis promised that consumer nations could gain access to a "fairly priced ocean of oil." After a war that demonstrated our good will, we should not wait any longer to pursue this.

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[16] Edward L. Morse, "How to Make OPEC Obsolete" *New York Times* (July 1, 1991), p. A11. A more radical view is given in M.A. Adelman, "Oil Fallacies" *Foreign Policy* (1991), pp. 3-16. A critique of Professor Adelman's ideas is given in Peter Passell, "Cheap Oil, Expensive Cartel," *The New York Times* (March 20, 1991), p. C2.

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4. The agreement could begin with plans for energy crisis management, building on an agreement to store Saudi oil in the U.S., both under Saudi control and also leased cheaply to the U.S. Strategic Petroleum Reserve. For the Saudis, this would be a safe and inexpensive way to store oil. It would also demonstrate the kingdom's commitment to U.S. energy security and provide a steady outlet for production.

5. In return, the accord would grant U.S. oil companies long-term access to Saudi oil, with contracts offering American companies the equivalent of equity ownership for that oil.

6. Why would the Saudis reopen their oil sector? It would provide the money they need for postwar reconstruction in the region. Moreover, it would symbolize the commitment to supply oil over the long term. Though these arrangements would lead to more diversity in the Saudi industry, it need not reduce government control.

According to Morse:

1. The key problem of oil instability stems from the large-scale nationalization of oil reserves in the 1970s. Since then, oil companies have lost access to long-term supplies and need to invest and rely upon high cost oil outside of the Organization of Petroleum Exporting countries. For their part, the big monopoly producers like Saudi Arabia, with insecure outlets, disrupt the market with their search for buyers.

2. Eventually, the bilateral agreement could be opened to others, with the Saudis signing similar agreements with Japan and The European Community, and the U.S. negotiating with other large exporters.

3. Building new international institutions would not require the dismantling of OPEC or the international Energy Agency. Yet it could eventually supercede both, providing the basis for a General Agreement of Petroleum and Petroleum Products, much as the General Agreement on Tariffs and Trade emerged from bilateral trade agreements built on reciprocity

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and the extension of most favored nation treatment to many countries.

4. This agreement would address short-term energy insecurity and crisis management. It would subject oil to a free market regime needed for long-term stability, providing predictable prices to the Saudis and reasonable prices to American consumers. Over time it would create a more sensible way for the world to manage its oil relationships without forcing oil exporters to give up control over their own resources.

This new aggressiveness on the part of consumers was further refined by Professor M.A. Adelman of MIT.[17] Adelman's argument is that the right price for the industrial countries to pay for oil is the lowest price that would assure an adequate supply for the foreseeable future. And that, he maintains, is $6 to $10 per barrel. His calculations throw some light on current policy questions.

1. His estimates for OPEC make clear that most of the cash going to oil exporters is pure windfall. Squeezing the cartel would thus not be likely to reduce the supply.

2. By the same token, his calculations suggest the magnitude of economic waste created by OPEC's continuing financial gap. High prices have created perverse incentives to drain America first: if Mr. Adeleman's numbers are correct, little or none of the billions of dollars spent annually on oil development in North America could be justified in purely economic terms.

Implied here is a point often (correctly) made by environmentalists: the ecological damage from burning carbon fuels – local air pollution, global warming – ought to be factored into the price at the pump. As Passel notes[18] "What they rarely acknowledge, though, is that OPEC already assesses a 'carbon tax' that triples the price of crude. Washington does have an oil policy. The only catch, it seems, is that the policy is made in Houston and Riyadh".

While none of Mr. Morse's (or Adelman's) proposals have been

[17] M.A. Adelman, "Oil Fallacies" *Foreign Policy* (February 1991), pp 3-16.
[18] Peter Passel, *op.cit.*

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implemented, at least in the United States, there are indications the Europeans are taking them seriously – especially the idea of imposing a "carbon tax":[19]

1. A carbon tax is already being used in some Nordic countries and is now proposed for Europe-wide application. The announced intent of the tax, which is based on the carbon content of fossil fuels, is to reduce emissions of carbon dioxide, a gas said to cause global warming.

2. Under study by the European Community since last fall, the carbon tax proposed by the European Commission would start next year at $3 a barrel for oil, rising to $10 by the year 2000.

There is also increasing evidence that the industrial countries are simply bypassing or even ignoring OPEC in designing their future energy policies. This is most evident in several oil agreements currently under discussion. These do not even mention the OPEC countries:[20]

1. If all goes according to plan, around 50 countries will sign by mid-summer 1992 an energy treaty that will define market conditions for trade in oil and gas between the former Communist bloc and the rest of the Western industrialized world. The proposed treaty does not ask the OPEC countries to join.

2. Everything will be covered in the accord and protocols, from investment protection to exploration rights, trade dispute settlement, repatriation of profits and the environment. At the United States' and Germany's assistance the main thrust of the draft text is the legal protection of foreign investments.

3. Although the will is obviously there, most Western oil companies have been cautious about rushing to invest in the republics of the former Soviet Union because of the political uncertainty. The main thrust of the draft treaty text currently

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[19] James Tanner "OPEC Ministers Will Discuss Taxes, Not Crude Prices," *The Wall Street Journal* (April 23, 1992), p. A10.

[20] Hillary Clarke, "Oil: Bypassing OPEC," *The Middle East* (March 1992), pp. 30-31.

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on the table is the legal protection of foreign investment, including safeguards in the event of war or re-nationalization programs.

4. In the short-term one of the most important political effects of the Charter will be to rule out the likelihood of any of the producing republics from joining OPEC – the market access clause of the text currently under discussion specifically rules out any price fixing or production quotas.

Clearly a significant factor for the future is the likelihood that Russia and several of the former Soviet Republics may, with the aid of foreign investment and technology, reverse the downward trend in production to become significant exporters.[21] The Soviet's oil problems never really involved lack of reserves: low investment, poor technology and inefficiency were always the main constraint on output – these may be overcome quickly once the expected boom in foreign investment begins.

Against this background, problems within OPEC were coming to the fore:[22]

1. Quotas were last formally agreed by OPEC at its July 1990 meeting, on the eve of the Iraqi invasion of Kuwait. As a result of the cessation of exports from Kuwait and Iraq during the Gulf crisis, the other members of OPEC allowed themselves to increase production to make up for the shortfall.

2. At its meeting in Vienna in November 1991, the organization agreed to permit the members to continue lifting as much crude as they could produce. The ceiling of 23.5 million b/d agreed upon at the September ministerial meeting was simply rolled over. It seemed a sensible arrangement at the time since oil prices were averaging $23 a barrel, Kuwaiti production was only just beginning to trickle back onto the market and no compromise seemed in sight on allowing Iraq to resume

[21] Leyla Boulton, "The Lure of Oil's Final Frontier," *The Financial Times* (March 6, 1992), p. 15.

[22] "OPEC: Saudi Arabia Takes Charge" *The Middle East* (February 1992), pp. 24-25.

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exports.

Unfortunately for OPEC, prices started to fall:[23]

1. First the winter growth in demand for OPEC oil peaked too soon as the oil companies built up inventories quicker than they needed to . The recession in the Western industrialized world turn out to be deeper than expected, resulting in a depressed demand for oil, dampened all the more because of a relatively mild winter.

2. Kuwait has started to resume production faster than was believed possible. And Iraq was edging its way slowly towards an agreement for the resumption of oil exports at a value of $1.6 billion a year to pay for "humanitarian" needs.

Little wonder that OPEC members who rely for their oil revenues more on the price than the volume of crude they export were worried. Even before the end of 1991, Algeria and other members were agitating for an energy meeting of the Organization. Saudi Arabia would have nothing to do with the idea. The fact that Algeria, Libya, Nigeria and Venezuela began reducing output unilaterally indicated that the kingdom had the correct negotiating stance.[24] Clearly:

1. Saudi Arabia was unwilling to relinquish the 35% of its share of OPEC's overall market for crude exports.

2. It boosted production from 5.4 million b/d before the Gulf crisis to 8.5 million b/d at considerable expense and would not make a deal which did not permit the maximum degree of flexibility.

Future issues:

1. The fundamental issue of reintegrating Iraq and Kuwait into the OPEC marketing structure had to be addressed on a serious level.

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[23] Klaus Matthies, "Oil Price Surprises" *Intereconomics* (March/April 1991), pp. 49-50.
[24] "OPEC: Saudi Arabia Takes Charge" *op.cit.*

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2. OPEC was in danger of losing its credibility as a crisis-management organization by failing to think far enough ahead. Short-run market crises were still dictating oil prices.

The Future Seen as the Dust Settles

The first real glimpse into the medium term future was provided at the mid-February 1992 OPEC meeting. This meeting satisfied none of the members. At that time:[25]

1. A fragile consensus on output was reached, only to be instantly denounced by its two strongest signatories (Iran and Saudi Arabia).

2. Oil prices continued their seasonal slide as the market continued to remain unimpressed by the proposed cutbacks.

3. The price weakness reflected a number of problems stemming from oversupply and the worldwide recession. In contrast to the 1980s, however, these difficulties were exaggerated by Saudi Arabia's reluctance to make short-term output adjustments.

The February 1992 OPEC agreement and aftermath was very important because it set the tone (apparently for some time) of Saudi Arabia's approach towards pricing:[26]

1. Under the official agreement Saudi Arabia would have to cut to 7.9 million b/d as part of an overall ceiling of 22.5 million b/d to 22.7 million b/d. The Saudis plan to violate the agreement by staying with their 8 million b/d.

2. Saudi Arabia spent $US 5 billion during the Gulf war to boost its production from 5.4 million b/d to close to 9 million b/d in January 1992. At the same time, the Saudis increased their market share in OPEC to 35 percent. The kingdom is clearly

[25] Peter Kemp, "Saudis Stand Firm as Oil Prices Slide" *Middle East Economic Digest* (April 3, 1992), pp. 9-10.

[26] Deborah Hargreaves," A Deal that Fails to Heal Divisions" *Financial Times* (February 18 1992), p.17.

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unwilling to relinquish its hard won market share. It also faces a budget deficit of some $8 billion which restricts its ability to maneuver.

3. The kingdom's insistence on maintaining its large share of overall output will inevitably bring it into conflict with smaller producers. All OPEC member nations are suffering the effects of low oil prices, most have budget deficits and most have based their economic plans (for 1992) on a price closer to $20 a barrel than the current (early 1992) level of $17.

4. Some members such as Algeria, which is under emergency rule, and Venezuela, which recently suffered an attempted government overthrow, are pressed by political unrest at home which has partially been caused by lower oil revenues. In spite of paying lip service to smaller producers' concerns, Saudi Arabia has reasserted its dominance over the discordant producers' club. Its assertive role is increasingly mapping out a future for OPEC.

5. One significant achievement at the meeting long sought after by the Saudis was a move away from historical production quotas to allocate output more closely in line with individual countries' capacity.

6. However, this presents an opportunity for new disagreements. The danger of using production capacity as a basis for allocating output levels is that countries have a tendency to be over-optimistic in their assessments of their ability to pump oil. In addition the new system will formalize Saudi Arabia's increased clout within the organization.

7. Iran and several other producers are already fighting to reverse the move and return to historical quotas which were in place before the Gulf war. The country has called for a return to the quotas as soon as Iraq is able to re-enter the export market.

8. Iraq is currently barred from exporting oil by United Nations sanctions and its production allocation under the arrangement

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is for domestic consumption only. However, by early 1992 the country was capable of producing 2 million b/d.

9. Kuwait has said its output will reach 900,000 b/d in June, rising to 1.5 million b/d by the end of the year. If the return of the two countries to full production is not to plunge the oil market into crisis, other members will have to agree to significant cuts.

On the other hand, despite the disagreements, the spirit of cooperation in OPEC is not completely dead. The more generous producers: the UAE, Venezuela, Libya and Qatar all agreed to cut production by more than the average 9 percent required under the arrangement in order to compensate the disadvantaged smaller producers.

There are also a number of indicators as to what the longer term will hold. The Geneva meeting made it clear that Saudi Arabia will demand that any agreement on overall quotas must take into account its need for a 35 percent market share and minimum of 8 million b/d. Saudi Arabia's aim at the OPEC meeting was to eradicate the last vestiges of the 1990 agreement and the quota shares – especially the kingdom's 22.45 percent share implied in the agreement. It is clear that:[27]

1. The Saudis were trying to establish new principles to run the organization – if there are to be future production cuts then they must be pro-rated for all members.

2. The Saudis want to get such a system in place before Iraq resumes exports and Kuwaiti production recovers to its pre-war level.

3. It is clear that the Saudis hope that whatever depths current prices sink to, the relatively low prices will help the world economy towards recovery and lead eventually to stronger demand for oil.

Clearly time is on the Saudi side:

[27] Kemp, *op.cit.*

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1. Capacity utilization in early 1992 was running at close to 90 per cent and as output declines in the US and the former Soviet Union, the kingdom is the only one of the world's three biggest producers which is expanding production.

2. Saudi production capacity will probably increase to 10 million b/d by 1995 under the current Saudi Aramco development program and bolster the kingdom's clout in output.

3. Capacity enhancement programs in Abu Dhabi, Iran and possibly Kuwait are far less ambitious or advanced.

4. Cash concerns intensified by the low oil prices are constraining the pace of development in several producing states and transforming attitudes toward foreign oil companies. Algeria, Iran and Iraq are all seeking foreign investment in upstream development, overturning a long tradition of avoiding outside advances in their need for development capital.

In sum, if OPEC states have a shared interest at present, it is their common need for cash. However, hopes of securing higher prices are being undermined by the collective reluctance to consider deeper cuts in production. Saudi Arabia in particular is determined to set the tone for OPEC's future and will not trim output again, only to see others reap the rewards of higher prices.

For most observers the change in oil market attitudes is proving to be of far greater interest than the latest disagreement between OPEC members over precise production levels. The market is starting to reflect a "new psychology." It is now starting to focus on underlying economic realities rather than reacting to developments on the basis of fears about the security of supplies. On the basis of underlying realities events are not moving OPEC's way over the short term.

Clearly oil production quotas are a thing of the past. They were never strictly observed anyway and, even as the organization reintroduced them later in 1992,[28] it is clear that quotas will not be more than a more than a cosmetic cover to disguise the policy differences

[28] Neil Buckley "Once Again OPEC Shoots Itself in the Foot," *The Financial Times* (September 22, 992), p. 30.

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which have divided the member countries since the mid-1980s.[29] In fact when the issue of quotas was discussed at the September 1992 meeting of OPEC ministers it became so combative that one of the founding members, Ecuador, concerned over its quota, withdrew from the organization. This move has led to speculation that other member countries may find the burden of belonging to the cartel outweighs the profit.[30]

The Longer Term

In light of the previous discussion, it is interesting to re-read a longer term forecast made by *The Economist* on the eve of the invasion of Kuwait. In its assessment of OPEC to the year 2000 the *Economist* concluded that:[31]

1. At the end of the twentieth century, OPEC will have about four fifths of the world's oil reserves.

2. The main cause of OPEC's problems in the 1980s was OPEC's spare producing capacity of 8 million to 10 million barrels a day.

3. For the future, non-OPEC producers have little capacity. If demand continues to expand, the cartel's surplus will disappear in 10-15 years.

On the other hand, a number of factors will continue to check demand:

1. The amount of oil the OECD countries need to generate each extra dollar of GDP is still falling, despite lower prices. In 1983-85 it fell by 40%; in 1985-87 it fell by another 5%; and it fell again in 1988.

2. Conservation is one reason for this decline. Investments made to conserve oil are still coming on-stream. They include

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[29] "OPEC: Saudi Arabia Takes Charge" *op. cit.*, p. 25.

[30] Youssef M. Ibrahim, "Departure of Ecuador: The Symbol for OPEC of a Decade in Decline" *International Herald Tribune* (September 19-20, 1992), p. 1.

[31] "OPEC 2000" *The Economist* (February 4, 1989), pp. 17-19.

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energy-efficient factories, houses and forms of transport that will continue to depress demand well into the next century.

3. The conservation effort is likely to intensify. Once scornful governments are now taking seriously ecologists' warnings about the environmental damage caused by burning fossil fuels; no longer is talk about global warming, the ozone layer or acid rain confined to conservationists. Conservation is now widely seen as the cheapest way to cut consumption and reduce the damage done by fossil fuels.

4. Developing countries are unlikely to offset the conservation of the industrial countries. Third World energy demand has risen in the 1980s by an average of 2 1/4 percent per annum in part because many poor countries cannot afford new fuel efficient machines and transport. But the developing world accounts for only 20% of global oil use. In the year 2000, it is estimated that up to a third of its energy will still come from non-commercial sources, like firewood, while foreign currency shortages will constrain oil imports. All in all, a boom in oil demand led by the Third World looks like a remote prospect.

From this, one can easily assume prices are likely to remain weak for the remainder of this century. Unless supplies are seriously disrupted by wars or other unforeseen events, the price of OPEC's oil is unlikely in any year to average more than $20 a barrel (in 1992 dollars) – most likely once Kuwait and Iraq come on stream it will be considerably less.

Conclusions

Before drawing any conclusions concerning future developments on oil markets or the stability of OPEC and its members, one should heed the advice of Daniel Yeargin:[32]

> Recent history shows that just when calm is taken for granted, some new surprise, mixing politics and economics, comes along and shakes all assumptions. Even now one can see the possible elements of a surprise during the next two or three

[32] Yeargin, *op.cit.*

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years. The world is producing oil near the limits of capacity, meaning that there is little room for error.

From the vantage point of late-1992, it is interesting to note that the pre-invasion market mechanisms outlined above still seem to be in effect. Also the forecasts derived from these frameworks are still essentially on line – at least for the trend. In a general sense, it appears that all the invasion did was push the timing forward a few years – the invasion and subsequent liberation of Kuwait do not appear to have fundamentally altered these mechanisms or the scenarios they imply.

If anything, the invasion appears to have postponed the time when OPEC will likely regain some control over oil prices:[33]

1. The Persian Gulf war has accelerated the trend away from oil and further undermined OPEC cohesion. Germany, Japan and to a minor extent the United States have increased taxes of petroleum products, which will tend to restrain demand. The growing strength of the environmentalist movement has spurred the trend toward greater energy efficiency and the replacement of oil with abundant natural gas.

2. The post-invasion mini-oil shock reinforced the determination of oil buyers to seek supplies from less volatile areas; i.e., outside the Middle East. The pace of oil (and gas) exploration in the North Sea is at an all-time peak and similar activities are taking place in West Africa, South America, and in other Third World countries.

3. The application of new technology has enhanced the probability of successful finds at lower cost as well as boosting recovery from existing wells.

4. Joint ventures between Western oil companies and producers in the former Soviet republics should, over time, reverse the downward trend that began in 1988[34]

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[33] Eliyanu Kanovsky, "Don't Prop up the OPEC Cartel," *The Wall Street Journal* (June 18, 1991), p. A20.

[34] Leyla Boulton, "The Lure of Oil's Final Frontier" *The Financial Times* (March 6, 1992),

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5. Probably the single most important factor depressing oil prices will be the financial troubles of the major Middle Eastern oil exporting countries. Even before Iraq's invasion of Kuwait, Saudi Arabia's military budget was huge – the equivalent of about 20 percent of its GNP in 1984-88. The war added enormously to military outlays. Saudi Arabia's request for many billions of dollars of U.S. military equipment and its plans to expand its armed forces presage a major increase in its military outlays in the coming years.

6. Looming on the horizon is the reentry of Kuwait and Iraq into the oil markets. Both countries have vast petroleum reserves and pressing financial needs. They are even less likely than before the war to adhere to OPEC quotas. Iran with its economy shattered by the revolution and its eight-year war with Iraq has announced ambitious development goals. Higher oil exports are essential.

7. Kuwait in particular is lobbying for a much larger oil production quota.[35] Kuwait's determination will most certainly clash with Saudi Arabia's high level of production and with Iraq's eventual return to world oil markets as an exporting nation. Kuwait says it badly needs the money to make up the losses from the war which cost it $65 billion and cut deeply into its assets of nearly $100 billion. The Kuwaitis say that with planned expenditures of $8 to $10 billion over two years they will further raise output to 2 million barrels a day by the end of 1992. Kuwait's output was 1.5 billion to 2 million barrels a day before the Iraq invasion of August 1990.

8. The extensive loans Saudi Arabia has contracted from international and regional banks reflect the financial predicament faced by its government. Its leaders fear that higher prices will trigger strong countervailing forces which will in a few years depress prices; i.e., a repetition of the boom and bust of the 1980s. Hence the Saudi policy of attempting to enhance its oil

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pp. 15.

[35] Youssef M. Ibrahim, "Kuwait Seeks to Raise Oil Output" *The New York Times* (April 20, 1992), p. c2.

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revenues not by higher prices, but by exporting a larger volume of oil.

9. The announced expansion of capacity by Abu Dhabi, Iran, Venezuela and Nigeria as well as by smaller exporters will surely add to the downward pressure on prices. The historical record shows that the greater the idle capacity the stronger the tendency to cheat on quotas.

10. The recent oil finds in Yemen may be sizable.[36]

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The Great Sex Divide

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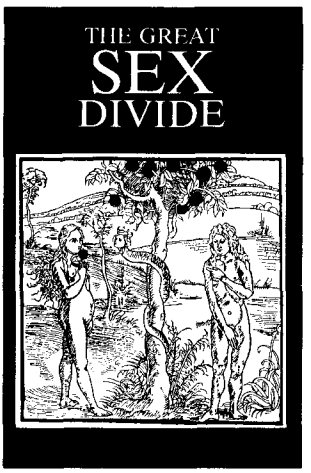

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U.S. Foreign Aid: Is It for Friends, Development or Politics?†

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The Wichita State University

I. Introduction

For over forty five years the United States has been an aid-granting nation.[1] In recent years the notion of large outlays of foreign aid has come under question from domestic political figures. Current criticism ranges from those who would redistribute the present aid package to give some countries more and other countries less, to the suggestion of some that the total aid package be either drastically reduced or eliminated. Almost from its inception, however, foreign aid was defended on two bases.

First, it was held that the donor nation gives aid to win the recipient nation's friendship. Keeping developing nations under "our sphere of influence", therefore, has been touted as being a primary justification for U.S. foreign aid outlays.[2]

The second rationale is that U.S. foreign aid will speed the development process in less developed countries (LDCs). This would be accomplished either by providing direct investment in the nation's economy or by providing consumption goods and thus freeing up the recipient nation's domestic funds for investment.

The present study seems to demonstrate that, in fact, neither of

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† The authors are Assistant Professor and Instructor of Economics respectively. A previous version of this paper was presented at the Missouri Valley Economics Association Meetings in St. Louis, February 1992.

[1] U.S. foreign aid is about one-fourth of total world aid. The rest comes from other upper-income nations, mostly in Europe but also some from Japan and the OPEC countries. Of U.S. foreign aid, about one-third goes to Israel and Egypt.

[2] For instance, Todaro (1981) states that "[Political motivations have] been by far the primary motivation of aid-granting nations, especially the major donor country, the United States....Most aid programs to developing countries were, therefore, oriented more toward purchasing their security and propping up their sometimes shaky regimes than promoting long term social and economic development."

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these two rationales for U.S. foreign aid justifies the expenditures which have taken place. Analyzing U.N. voting records and GNP growth rates, we show that foreign aid has not had a significant impact on either a nation's tendency to vote with the U.S. in the General Assembly (a measure of its friendliness to U.S. positions) or on its per capita growth rate (a measure of its progress toward development).

In section II of this paper we will discuss our analysis of U.N. voting records in more detail. Section III will deal with the issue of growth, and a concluding section will summarize our findings, recommend future avenues for research, and suggest an alternative motivation for U.S. foreign aid: domestic political forces which benefit from U.S. aid programs.

II. Winning Friends

Assessing the success of U.S. aid as an inducement to a recipient nation to favor U.S. political positions is a difficult task at best. Much of what transpires in the public international political arena, while available for scrutiny, is not representative of private agreements and understandings among nations. Nevertheless, since public records are all that are available, we choose to examine the voting records of the members of the UN General Assembly as a proxy for their "friendliness" toward the U.S. We hypothesize that the percentage of votes cast by a recipient nation in the General Assembly which is the same as the vote cast by the U.S. (UN87 and UN88) should be a positive function of the amount of aid received in the year prior to the vote (AID86 and AID87), and other factors such as the form of government of the recipient nation (W if democratic and E if totalitarian), and the stage of development of the recipient nation (N if developed and S if less developed).[3]

We begin by looking at the 1987 and 1988 voting records of 146 members of the UN General Assembly. The summary statistics of the key variables are reported in Table 1. What is notable about the descriptive information provided in this table is the relatively low percentage of time that anyone votes with the U.S. in the UN. In both 1987 and 1988 the vast majority of nations voted with the U.S. less than 20% of the time, with only three and four voting with the U.S.

[3] Other variables were considered such as political and economic affiliations but these were found to be highly co-linear with the stage of development and form of government dummies and were therefore not included.

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more than 50% of the time in the two years respectively. In both years the country that voted with the U.S. most often was Israel with 80% agreement in 1987 and 91% agreement in 1988.

TABLE 1
Summary Statistics for Key UN Voting Variables

VARIABLE	MEAN	MINIMUM	MAXIMUM
UN88 (%)	17.84	3.4	91.0
UN87 (%)	20.67	5.0	80.0
AID87 (millions)	78.31	0.0	3000.0
AID86 (millions)	89.27	0.0	3621.0
NW	0.1655	0	1
NE	0.0759	0	1
SW	0.5862	0	1
SE	0.1724	0	1

GROUPED SUMMARY OF THE DATA

PROPORTION OF VOTES WITH U.S.	NUMBER OF NATIONS-87	NUMBER AIDED	NUMBER OF NATIONS-88	NUMBER AIDED
50%-100%	15	3	15	4
80.1%-100%	0	0	2	1
60.1%-80%	10	3	8	2
40.1%-60%	8	2	10	4
20.1%-40%	18	16	6	4
0%-20%	110	83	120	104

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With this background, we performed OLS regressions of 1988 voting records on 1987 aid received and various other variables.[4] The results of these regressions are reported in Table 2. Because of the influence of Israel's voting record on the overall results and because Israel was something of an outlier, the regressions in each case were performed with and without Israel in the sample (when the sample size is 146 Israel is included and when it is 145 Israel is omitted). Notice that the results are very sensitive to the inclusion of Israel in the sample.

TABLE 2
Various Specifications of the OLS UN Voting Equations

DEPENDENT VARIABLE - UN88

INDEPENDENT VARIABLES	MODEL1	MODEL2	MODEL3	MODEL4
INTERCEPT	52.48 (26.78)	53.36 (31.59)	52.849 (31.288)	53.057 (31.446)
AID87	0.014 (5.643)	-0.003 (-1.01)	--------	--------
NE	-44.44 (-12.74)	-45.33 (-15.09)	-44.814 (-14.88)	-45.02 (-14.99)
SW	-41.98 (-18.94)	-41.91 (-21.99)	-42.732 (-22.28)	-42.32 (-21.94)
SE	-44.69 (-16.32)	-45.42 (-19.27)	-45.12 (-19.08)	-45.22 (-19.20)
PCAID87	--------	--------	0.114 (9.523)	0.046 (0.976)
SAMPLE SIZE	146	145	146	145
R-SQUARE	0.75	0.80	.82	.80
F	107	137.6	155.4	137.5

Student's t ratio is in parentheses.

[4] These regressions were performed for 1987 voting records, as well, with almost identical results. In the interest of space, only the 1988 results are reported although the 1987 results are available from the authors upon request.

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In the case where Israel is omitted from the sample the coefficient on AID is not statistically different from zero, indicating that the amount of aid that the U.S. gives to a country does not appear to influence its decision to vote with the U.S. in the UN. In addition to the coefficient on AID being insignificant, it is interesting to note that it is also negative in the absence of Israel. This would tend to support the notion that U.S. aid at best provides no positive inducement to vote for U.S. interests in the UN, among the sample of nations excluding Israel. When Israel is included in the sample the coefficient does become positive and significant, reflecting the strong positive association between Israel's voting record and the aid that they receive. We also performed the regression using per capita aid (PCAID87) in place of AID. The results are similar to those discussed above, although the coefficient when Israel is deleted from the model is now positive and insignificant.

Regardless of whether Israel is in the sample, we note the consistent pattern that countries in the NW category (developed democracies) are far more likely to vote with the U.S. than the countries in any of the other three Stage of Development/Form of Government categories.

Omitting Israel as an outlier, we find no evidence that U.S. foreign aid induces countries to be more favorably disposed to U.S. positions in the UN. To the contrary, there is descriptive evidence that nations who vote against the U.S. are more likely to get aid than those who vote for the U.S. We note that only 26% of the nations who voted for the U.S. position more than 50% of the time received aid from the U.S., while 87% of those who voted for the U.S. position less than 20% of the time received U.S. aid.

Still, we consider the possibility that the purpose of foreign aid is to assist in the development of LDCs. This, the second rationale for U.S. foreign aid, will be addressed in section III.

III. Aiding in Development

In addition to geopolitical considerations, foreign aid, in theory, is also granted for the purpose of furthering the development of low-income nations. The rationale is that foreign assistance may aid by being used to fund investment in physical capital, or by funding investment in human capital (education and training). Some aid is also intended for purely consumption uses, such as an emergency shipment of food to famine victims. This latter use of aid would not necessarily be expected to result in economic development, but would at least,

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hopefully, not deter it.

TABLE 3
Definitions of Variables used Throughout the Text

PCGROW – Compound annual growth rate in national output for the period 1975-1985, adjusted for population growth rate. (0.6714)

USAID – U.S. net official development assistance as a percentage of the recipient nation's GNP for the period 1975-1985. (0.8291)

SAVING – Domestic savings are calculated to be investment plus exports of goods and non-factor services minus imports of goods and non-factor services and are expressed as a percentage of national output for the period 1975-1985. (13.776)

ONFF – Other net foreign flows from outside of the country is computed as net imports of goods and non-factor services minus net official development assistance from the world. Net imports are first computed as investment minus domestic savings. ONFOC is expressed as a percentage of national output. While ONFF is largely composed of net foreign loans to a country, it also includes direct foreign investment (net), investment income (net), private transfers (net), and non-concessional official loans (net). "Capital flight" would be picked up as a negative number in ONFF. (1.5685)

EXC – The weighted change in real exports is computed as the (ratio of real exports in 1985 and 1975 minus one) times the export/output ratio in 1975. (0.1456)

ENROLL – The number of people who are enrolled in secondary education as a percentage of the secondary-age population. (30.326)

POPG – Computed as a compound annual average growth rate for the period 1975-1985. (2.6043)

PCI – Per capita income in 1975. (571.43)

ISRAEL – equals one if Israel and 0 otherwise.

EGYPT – equals one if Egypt and 0 otherwise.

LATINAM – equals one if country is in Latin America and 0 otherwise.

Previous researchers have found conflicting results with respect to the impact of foreign aid on economic growth. Papanek (1973), for example, found that foreign aid has a positive and significant impact on growth. In fact, he concluded that the effect of aid on growth was stronger than either the effect of domestic savings or other foreign inflows of funds. To the contrary, Mosley, Hudson, and Horrell (1987), in a later study, found that savings and export growth both contributed to domestic growth in positive and significant ways while foreign aid had a weak negative impact on economic growth which was statistically insignificant.

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In the current study we select the period 1975-1985 and relate per capita economic growth[5] (PCGROW) in various developing countries to U.S. aid[6] (USAID) and other possible sources of growth such as other net foreign flows from outside of the country (ONFF), domestic savings (SAVING), a weighted change in real exports (EXC), school enrollment ratios (ENROLL), and population growth rates (POPG).

TABLE 4
Various Specifications of the OLS Growth Equation

DEPENDENT VARIABLE - PCGROW

INDEPENDENT VARIABLE	MODEL1	MODEL2	MODEL3	MODEL4
CONSTANT	-1.0090 (-1.828)	-1.4045 (-2.041)	-1.3333 (-1.899)	-0.5283 (-0.32)
USAID	-0.1443 (-0.607)	0.0340 (0.112)	0.0575 (0.187)	0.0742 (0.239)
SAVING	0.0579 (2.096)	0.1181 (3.533)	0.1213 (2.848)	0.1306 (2.829)
ONFF	0.0975 (1.885)	0.2682 (4.667)	0.2752 (3.932)	0.2877 (3.881)
EXC	6.2617 (6.426)	-------	-------	-------
ENROLL	-------	-------	-0.0058 (-0.328)	-0.0132 (-0.589)
POPG	-------	-------	-------	-0.2842 (-0.538)
N	68	70	69	69
ADJ-R^2	0.5258	0.2357	0.2107	0.2018
F	19.58	8.09	5.54	4.44

Student's t ratios are in parentheses

[5] Computed from annual growth rates and adjusted for the growth in population. See World Tables, 1989/1990, The World Bank.

[6] The aid category used was "Net Official Development Assistance" which encompasses all economic aid, including concessional loans (net of repayments of past concessional loans). The sources of data on aid flows was the Organization for Economic Cooperation and Development (OECD), Geographical Distribution of Financial Flows to Developing Countries, various issues. U.S. Bilateral aid in dollars is given as net official development assistance (the total of grants and net concessional loans). The recipient nation's gross national product in dollars is also given, making it possible to compute U.S. net official development assistance as a percentage of the recipient nation's GNP.

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The definitions of the key variables, along with the mean value in parentheses, are reported in Table 3.

A sample of 70 developing nations was selected which included only nations of at least one million in population at the end of the test period and which excluded high-income oil exporters.

We begin by using ordinary least squares to estimate a per capita growth rate equation of the following functional form:

$$\text{PCGROW} = f(\text{USAID, SAVING, ONFF, EXC, ENROLL, POPG})$$

where each of the variables is defined in Table 3 and is included linearly in the regression model. The results of various specifications are reported in Table 4 and discussed below.

To begin, we note that the sign on the USAID variable is inconsistent, sometimes suggesting that aid has a negative impact on economic growth and sometimes suggesting that the impact is positive. More important, however, is the finding that the coefficient is never significantly different from zero. This finding, which supports the work of Mosley, et. al. (1987), appears to indicate that U.S. foreign aid may not have the growth-enhancing benefits which some of its supporters suggest. The finding of insignificant impact of aid on growth is robust with respect to the specification of the model.

In each specification where SAVING is included, we find the expected result that increases in the domestic savings rate are associated with increases in the per capita growth rate, cet. par., and we generally find a similar positive and significant association between other foreign inflows of funds (ONFF) and PCGROW. This was to be expected since both of these variables represent major sources of funding for investment in LDCs.

Since many developing nations are quite export-dependent, the weighted change in real exports (EXC) was included in several of the model specifications. In those specifications where EXC was included, we find it to also have a uniformly positive and significant impact.[7]

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[7] It is questionable, however, that the change in real exports is truly exogenous in the long run. For this reason, regressions were performed with and without this variable. Although the change in exports may be largely autonomous to the domestic economy in the short run, over a long time period such as the entire period 1975-1985, the growth in exports may largely reflect the overall growth in the underlying economy. As a nation expands its productive capacity over time because of the expansion in its capital stock, its level of technology, and its level of human skills, it will naturally experience an expansion

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Aid, domestic savings, and other foreign inflows all measure the finance of gross domestic investment to one degree or another. An investment in human capital should also contribute to growth. Though many researchers, such as Landau (1990), have found this to be the case, in our study none of the primary or secondary enrollment ratios (ENROLL) tested had a significant effect on per capita growth. The enrollment ratios used were gross measures, not net ones. Gross enrollment records the number of people, regardless of age, who are enrolled in secondary education, as a percentage of the secondary-age population. Net enrollment includes only the secondary age population who are enrolled in secondary education. Unfortunately, far fewer countries compile the net enrollment statistics.

As might be expected, the coefficient on the population growth rate is generally negative, though not significant. This is a plausible result for two reasons. First is the conventional "overpopulation" scenario where a rapidly growing population base impinges on a limited resource base. The second reason is that a population producing large numbers of young children who are not in the work force will tend to produce an average per capita income which is lower. Even if adults' incomes are the same, and if average family income is the same, a population with many children will have more people among which to divide up total income.

An objection sometimes made to the procedure of regressing economic growth on actual aid levels is that there is two-way causation present. Aid may affect economic performance, but economic performance may also affect aid levels. If so, simultaneous-equations bias may distort the results of an ordinary least squares regression. It does appear likely that economic hardship would itself cause an inflow of foreign aid money. Yet while the possibility of simultaneous-equations bias exists in a growth equation, some factors lessen the likelihood that the results previously discussed are greatly biased.

First, the dependent variable used is economic growth, not the level of economic output. While low per capita output *levels* obviously result

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in all major sectors of its economy, including its production for exported goods. In the long run, a nation's exports are the means by which it earns foreign exchange to pay for its imports. Over a time period of several years, the change in a country's exports may be due mostly to the growth in its own productive capacity, rather than due to the growth in countries outside of it. In the short run, changes in foreign income may significantly affect the changes in a country's exports, but in the long run the increase in its own productive capacity is probably more important.

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in larger aid grants, it is not clear that a low economic growth *rate* would cause an inflow of aid money.

Second, the period covered, 1975-1985, spans eleven years, long enough so that very temporary crises which might cause an inflow of aid money should largely "wash out". For example, a flood or drought in one year might cause economic output to drop in that year and might also cause the international community to rush in aid funds, but a one-year event would not be likely to affect the long-term growth rate.

TABLE 5
Various Specifications of the TSLS Growth Equations[1]

SECOND STAGE: DEPENDENT VARIABLE - PCGROW

INDEPENDENT VARIABLES	VERSION 1 MODEL 1	VERSION 1 MODEL 2	VERSION 2 MODEL 1	VERSION 2 MODEL 2
CONSTANT	-1.5235 (-1.99)	-0.6144 (-0.37)	-1.7097 (-2.37)	-0.6918 (-0.42)
USAID	0.2067 (0.42)	0.2569 (0.51)	0.3881 (0.89)	0.4517 (1.01)
SAVING	0.1147 (3.46)	0.1323 (2.97)	0.1172 (3.59)	0.1385 (3.11)
ONFF	0.2629 (4.55)	0.2887 (3.90)	0.2626 (4.56)	0.2940 (3.99)
ENROLL	------	-0.0136 (-0.61)	------	-0.0163 (-0.73)
POPG	------	-0.3155 (-0.59)	------	-0.3525 (-0.67)
N	69	69	69	69
ADJ-R^2	0.2233	0.2043	0.2307	0.2139
F	7.518	4.493	7.799	4.700

[1] In the first stage the dependent variable was USAID and the instruments were PCI, PCI2, and ISRAEL in version 1, and those variables plus EGYPT and LATINAM in version 2.

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While the foregoing considerations make it unlikely that simultaneous-equation bias is particularly large in the previous OLS results, the possibility, still exists that some bias is present. While Mosley, et. al. (1987), ran a three-stage least squares system to correct for this possibility they concluded that "the exercise of treating aid as endogenous does not, in the event, bring about any changes in the pattern of results." In other words, their foreign aid variable was still insignificant even in the corrected model.

We use a two-stage least squares system for our test period 1975-1985. Aid levels are assumed to vary inversely with per capita income at the beginning of the period. It is also assumed that the relationship between aid and income is quadratic, not linear. An aid donor probably would not give a nation with per capita income of $3,300 very much more aid than one with $4,300, but an impoverished country with $300 average income per person would probably receive much more assistance (especially as a percentage of its GNP) than one with a $1,300 average income per person.

Substantial American aid is received by Israel. Obviously, Israel's relative funding is not based on its per capita income. Israel has the highest aid level of the 70 countries in the sample, and also the highest income level. To account for this one unusual case, we include a dummy variable (equal to one if Israel and 0 otherwise) in the first stage of a TSLS regression system.

The results from the second stage of this regression are reported in Table 5. In the first stage, using per capita income (PCI), per capita income squared (PCI2), and the Israel dummy variable (ISRAEL) as instruments, less than 50% of the variation in U.S. aid is explained. Per capita income and per capita income squared have the expected signs, producing a curvilinear effect on aid levels. Yet, neither is statistically significant, suggesting that per capita income does not have a very powerful effect on the allocation of U.S. aid. ISRAEL, of course, has a positive effect on aid.

Since Egypt (because of the Camp David Accords) and Latin American countries (because of their close proximity to the U.S.) are more likely than other countries to receive aid, cet. par., dummies were also added for these countries in alternative specifications of the USAID model. Still, less than 50% of the variation in U.S. aid is explained.

In the second stage of the analysis, predicted values of U.S. aid showed no significant impact on per capita growth rates. This result

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was robust both with respect to the specification of the first stage and with respect to alternative specifications of the second stage.

In sum, it is not demonstrated by the results of this analysis that U.S. aid has contributed to economic growth in the recipient nations. In the aggregate the evidence does not show a consistent growth-enhancing effect of American aid. The coefficient on U.S. aid was never statistically significant.

IV. Conclusions

It has long been held that U.S. foreign aid is primarily intended either as an inducement for the recipient nation to support U.S. policies or as a tool to aid in the economic development of emerging countries. The results of this work seem to indicate that foreign assistance has not been successful on either account. Furthermore, while this study empirically confirms the possible failure of U.S. foreign aid to achieve certain desired goals, this failure has been widely discussed and analyzed by political figures for some time.

The U.S. state department has collected data on UN voting records for several years and the lack of support for U.S. policies among General Assembly members in general, and among third world nations in particular, is not new news. Further, the fact that virtually no nation in the last 40 years has become developed primarily as a result of U.S. foreign assistance has been the subject of various reports by agencies, think-tanks, and the news media.

Since the results of this work are not "news" to policy makers in Washington, we conclude that there is potentially a third rationale for U.S. foreign aid policy. The observed behavior of those who grant U.S. foreign assistance is consistent with a public choice explanation where foreign assistance is granted in response to domestic forces which benefit from the foreign aid and which therefore encourage their representatives in Washington to continue support for such aid. Since much of the aid which is granted by the U.S. government is, in fact, in-kind transfers of such things as agricultural and manufactured goods, it is plausible that those who are employed in those sectors domestically lobby for the continuance of transfers from their sector to foreign nations.

This support to domestic concerns would provide at least one explanation for continued and long term foreign assistance to nations who neither support us politically nor show signs of economic development, even after substantial foreign investment. It is suggest-

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ed that a formal public choice model which tests this conclusion would be one area for future research. Further, if possible, other methods for testing the "friendliness" of nations to U.S. positions and policies should be explored. While UN voting records may indicate something about a nation's attitude toward the U.S. it may be an incomplete picture. In addition, we must consider the fact that U.S. aid is not given in a vacuum. Other countries, including some who are not sympathetic to U.S. positions, are donor nations. Future research should consider the impact of total world aid on the attitudes of recipient nations and on their economic development.

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The Geography of American Achievement

Nathaniel Weyl

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Moving Towards a Free Enterprise System in Central and Eastern Europe. What to Expect and What Can be Done

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The University of Akron

Introduction

Contributions to the literature over the past decade have focused on performance-gauging in public enterprises. Lively debates and discussions of the relative efficiency of this sector have littered most respectable journals. These efforts were redoubled during the privatization era, during which most moribund state structures were recommended for dissolution, abandonment or transfer to the private sector.

It appears, however, that the thoroughness with which investigators and practitioners have probed economic activities in this sector has waned considerably, especially in the face of the continuing speculative disagreement regarding its relative efficiency. This has led some proponents to argue that the measuring principles used for the public sector are not as efficacious as those applied to the private sector.

On the other hand, recent revelations regarding private sector scandals and performance (the collapse of the junk bond markets, the savings and loans failure, the Bank of Credit and Commerce International scandal, the economic failure of Pan Am, to mention but a few) are disturbing enough to warrant a revisitation of old questions – whether public enterprises are mostly less productive than their private counterparts and whether they can be adapted for the achievement of desired objectives?

Answers to these questions are important for two reasons. First, the recent economic and political collapse of the Eastern European countries and their desire to achieve higher economic growth will call for the use of structures originally owned and operated by the states. At least, in the short run, efforts to increase productivity will be

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focused on old structures. Second, decades of economic mismanagement in these countries and the lack of a private sector justify the rationale for the abandonment of the old state apparatuses and the creation of new ones.

Within this context, this paper seeks to examine some of the reasons that accounted for poor performance in these institutions and to suggest ways that might facilitate the transition to market economies.

What is a Public Enterprise in a Centrally Planned Economy?

In the industrialized countries, a simple and straight-forward definition of what really *is* a public enterprise is non-existent. The fact that most of these countries have mixed-economies, where private and public sectors both play equally important economic roles, makes the concept very slippery.

Nellis (1986) defined public enterprises as government-owned or controlled entities which are supposed to earn the bulk of their revenues from sales, have a distinct legal identity, and are self-accounting. Most other definitions include equity control by the government as a necessary condition. Others reiterate that such control must extend to enterprises' policies regarding capital investment, the types and amounts of goods and services to be produced and the prices at which they are sold (UN, 1988).

In the Eastern European countries, the general absence of private sector initiatives simplifies a search for a definition. In most of these countries, all public enterprises belonged to the state, thus outstripping any notion of equity ownership and control by members of the general public. Under these circumstances, policies regarding investment, production levels and prices were greatly influenced by the state. More importantly, the state decided who managed what and who got promoted and when.

For the purpose of this paper, ministerial departments are excluded from the discussion.

Some Findings on Public Enterprises' Contribution and Performance

Public enterprises are known to provide employment to a large number of the public (Short, 1984; Nellis 1986; Swanson and Wolde-Semait, 1988). In developing countries especially, this sector provides employment for more than 50% of the work force.

Public enterprises have also made important contributions to the growth in gross domestic capital formation, accounting for 22.7% in

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Australia, 29.6% in India and 67.1% in Algeria (Short, 1984). Among other things, public enterprises were established to encourage investment and serve as catalysts in the economic development process, thereby promoting economic growth.

On the other hand, public enterprises have been noted to have continuously produced net losses, distorted resource allocation and created fiscal imbalances, some of which worsened the sector's budgetary difficulties. More importantly, the net negative results produced by these enterprises represent substantial losses to society, thus hampering the achievement of desired economic goals.

In an elaborate presentation of how public enterprises contribute to deficit creation, Nair and Filippides (1988), focusing on several countries of the world; and Swanson and Wolde-Semait (1988) and Nellis (1986), focusing on Africa, observed that

(a) through their closeness to the government, public enterprises obtain direct financial support in the form of government loans, equity and subsidies;
(b) with few exceptions, public enterprises in many countries have quite commonly not serviced their loans from government and have either paid no taxes or paid only some taxes at rates over than those applied to private agents;
(c) through their dominant position in respective developing economies in the procurement of domestic credit, they have crowded out private borrowers who could have produced more positive results had they been encouraged to participate; and,
(d) as a result of their persistent foreign borrowing; and they have escalated the debt crises confronting most countries.

A Discussion of Causes for Poor Performance

Although no adequate data on performance of public enterprises in the former Soviet bloc countries are available, countries that have adopted Leninist development strategies similar to those of the Central and Eastern European countries have, in the absence of market competition, produced startling records of poor performance, including strong evidence of corruption.

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A. Absence of Market Competition and Performance

Commenting on the fundamental reason for the lack of performance in public enterprises, De Alessi (1974) noted that

> ... managers of political firms are less constrained by market considerations and find it easier to obtain subsidy and to mask bad management under the guise of fulfilling other social goals, thereby surviving for long periods with grossly inefficient management.

Focusing on the classifications of market structure and their impact on the relative efficiency of public and private conduct of business, Caves and Christensen concluded from their study that,

> ... inefficiency of government enterprises stems from their isolation from effective competition rather than their public ownership per se.

In a similar study, Savas (1977) compared the efficiency in the delivery of public service in a competitive system under two different types of ownership and observed that

> ... productivity of [a] city agency, whether measured in cost per ton, cost per household, or tons per shift has been increasing since the competitive system was introduced...

The explanation for inefficient use of resources in the public sector in the absence of private initiatives can also be derived and updated from the theoretical position held by the property rights movement. Proponents of this movement contend that the diffused nature of public ownership, which in many cases is dispersed among all members of society, does not empower members to get rid of their shares in a timely fashion. As a result, society is incapable and less motivated to influence the behavior of management.

Caves and Christensen (1980) note that this phenomenon is in sharp contrast with private ownership where individuals and owners have the right to sell their shares and to scrutinize management to ensure efficiency in the production of goods and services.

B. State Dominance and Evidence of Corruption

The case of the Republic of Benin is very relevant. In this tiny West African country, ruled by a Leninist government for over a decade, private ownership of banks was nonexistent – presumably following a strict Leninist principle of state activism. To what many

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would have thought was an extreme case of state involvement, excessive government regulations and interference, reinforced by misappropriation of state funds, led to the subsequent collapse of the banking sector which was owned and operated by the central government.

Swanson and Wolde-Semait (1988) noted that during the decade 1980-1988 over 70% of the credit outstanding was owed to the public banks by public corporations. Since most corporations became insolvent, banks started having chronic liquidity problems. To avert a total collapse of the banking system, depositors on the instruction of the government were allowed to withdraw only 10,000 CFA francs at a time – the equivalent of $30.00.

Underneath these efforts were blatant disregard of banking regulations and embezzlement of funds on government projects that did not work or on which feasibility studies were skewed to misrepresent an unfavorable outcome.

Under these circumstances, Young and Turner (1985) observed that ventures and irrational investment decisions are often based not on sound economic feasibility but designed to conceal the diversion of resources to private enrichment. Besides the prevalence of state control, high government officials often turned public enterprises into personal properties, thereby insisting on kickbacks and bribes as rewards for carrying out daily duties.

The case of Guinea, which followed a socialist path for over two decades, has been well documented. According to Picard and Graybeal (1988), bureaucratic elites within bloated state administration and parastatals maintained power through the control of official monetary transactions.

In the Republic of Ghana, a series of commissions of inquiry set up to investigate former officials each time there was a change in government uncovered new evidence of malpractice and pilferage of state funds. At a point in time, the Ghanaian Minister of Finance referred to the major government trading agency as a "gigantic fraud".

Some Effects and Causes of Corruption

In the absence of extensive empirical studies on corruption and its real impact on sectoral performance, evidence from available literature suggests that corruption's effect on national economic development can be devastating.

Apart from leading to the displacement of organizational objectives

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(Lee, 1984) and to a widespread non-compliance with the laws (Azarya and Chazen, 1984), corruption tends to distort performance records, thereby limiting their usefulness for policy decisions.

Gould and Mukendi (1988) rightly observed that corruption can result in a net loss to the economy by causing massive capital outflow and the design of less economically profitable projects whose benefit is the aggrandizement of parties in corrupt transactions. Its net effects are reflected in increasing financial losses, disproportionately low rates of return on investment, increased reliance on government subsidies and excessive external financing.

Corruption can be caused by a number of factors. In centrally planned economies, a large part was due to a lack of citizens' involvement in the decision-making process. In democratic societies, preferences of citizens are articulated right from problem identification to the conception and selection of policy options. Hence, citizens' wills, needs and desires are commonly negotiated to the extent that final outcomes represent the sum of individual compromises.

By comparison, in former Soviet bloc countries, cumbersome planning apparatuses identified and implemented policies supposedly aimed at addressing the real needs of the people. To influence the state delivery system and the selection process to better serve their needs, policy makers and citizens were forced to compromise by accepting and giving kickbacks.

C. Other Problems

Another set of factors that are the direct outcome of decades of state control has to do with the weak capabilities of Central and Eastern European countries to manage and coordinate economic development activities. If these weaknesses are not properly dealt with, the transition to a market economy will be slow and painful.

For the purpose of this paper, the problems that will continually face the old party elites who are now responsible for implementing economic policies can be divided into four main areas: human resources management, financial management, administrative and organizational analysis.

Steps to Address Some of These Problems

Managing decades of economic nonperformance for increased economic productivity will not be easy. Within this context, Callaghy (1987) noted that:

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> ... the ability of a state to adjust depends on three major factors: (1) political will, (2) administrative capacity and (3) economic capacity.

Recent changes in political will and ideologies in the Soviet bloc countries are the first steps toward market reform and the eradication of what might be called systemic corruption, which constituted a formidable obstacle to reform and economic development efforts.

Political re-orientation must be complemented by renewed efforts to involve citizens in the national policy-making process and in decisions regarding projects aimed at improving the quality of life of nationals.

Some of the other problems can be addressed in part through training. Officials responsible for major state institutions can be slated for intensive short-term training in human resources management, organization theory, public administration, accounting and financial management.

Equally important is the establishment of a sort of linkage between viable organizations in the West and other institutions in the Central and Eastern European countries. Referred to as twinning, this arrangement can be used to transfer technology and skills necessary for managing economic growth and development. The approach can be used to strengthen the managerial and administrative capabilities of the public institutions in the newly independent states.

Besides training and twinning arrangements, managerial and organizational problems can be eliminated by the creation and establishment in those countries of temporary Management Support Units. These Units will be managed by experts drawn from various disciplines, namely human resources, financial management and accounting, public administration and organizational development. The experts will train, advise, and provide guidance and management support to their local counterparts over an extended period of time.

Summary and Conclusion

It is one thing to enforce market-oriented policies in the old centrally planned economies (such as the recent price liberalization policy implemented in the Republic of Russia). It is also one thing failing to recognize the important role of the old structures in ensuring the achievement of desired economic goals. Without a well conceived plan to strengthen these institutions, desired economic goals will only be far fetched.

This paper does not argue, however, that attention to strength-

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ening those structures should precede market-oriented policies, but that they should be considered important elements in the equation for economic growth.

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Traditional Influences Upon Lebanese Politics

Caroline E. A. Knight
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The state of Lebanon is seen by many as a curious phenomenon. It has been described as a pluralistic confessional society with a parliamentary system of government, the Chamber of Deputies, whose members are freely elected. Such a description would make one think that Lebanon is a prospering liberal democracy. This is not the case.

The National Pact, an agreement between Muslim and Christian factions, attempts to solidify a national identity. The so-called politicians in Lebanon are local za'im who rarely have an ideological platform. Those political parties that do exist are identified with sectarian groups and are not concerned with a national identity.

Such a system sounds like it would completely break down in a matter of years. However, even the revolution which began in 1975 has not changed the format of the political system to any great extent. Change in Lebanon is never swift. Rather, it is a "process of selective adaptation and assimilation"[1] The system did not immediately grasp onto secular and ideological obligations and do away with its ancient system based upon kinship, fealty, and religion among other things. Instead, it attempted to fuse both types of societies together. Political institutions in Lebanon are a hybrid of both rational and traditional characteristics. It is these traditional characteristics which have provided social and spiritual support. However, although the influence of kinship, fealty, and religious ties has been a blessing in some ways, such ties have also been a malediction. It is these traditional loyalties which have caused divisions within Lebanese society today.

Kinship

The importance of familial ties has been and will probably continue to be one of the greatest influences upon Lebanese politics. As in many other Middle Eastern countries, the patriarchal family seems to show great resiliency as a social organization in the modern world. Even

[1] Samir Khalaf, *Lebanon's Predicament* (New York: Columbia University Press, 1987), 103.

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today in Lebanon, an individual's status in society, his occupation, and both his political and social prestige are defined by his family. In other words, the amount of power that a person may hold is partially based upon the cast of the die – into which family he happens to be born. "To say that a person is a 'son of a family' (*ibn 'ayleh*) prompts one to bypass other attributes that he may possess."[2] The concept behind kinship differs from that of Western culture.

This simply states that Lebanese society is one based upon the family and only from that basis does it outwardly expand. One's blood ties are binding to a great degree. "The sovereignty of the family transcends all other loyalties, and the individual is compelled at times to suppress his individuality if it happens to clash with the whims and rigid dictates of the family."[3] As a member of a family, one must pledge his total loyalty and subordination. The intimate ties between family members does have positive ramifications. One is able to rely upon his family for emotional support and security as well as financial support.

While some claim that the familial interaction within Lebanon is not much different from familial ties in the West, just to a greater extreme, that is not the case. Blood ties are very important in Lebanese culture. As one of the proverbial sayings go, blood runs thick and deep in Lebanon. Even in the extended family, where intimate interaction is absent to a great degree, deference to one's elders and loyalty to kin is almost seen as a sacred value, one never to be broken.

Due to this ever-present subservience to one's family, the family becomes a dominant influence in one's initial socialization into the arena of politics. In his political memoirs, Bishara al-Khuri noted, "Ever since my eyes saw the light of day, I found myself immersed in an atmosphere of civil servants and political life."[4] As the first president of independent Lebanon, he indicated a tradition that was not unique but a characteristic of all politicians: that one's career and even one's political ideas are linked to kinship.

The family is not only influential in the initial political schooling of an individual, it may also present itself as an avenue into political power and leadership which otherwise could not be obtained. Many people have inherited parliamentary seats, seats which have been

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[2] Ibid., 105.
[3] Ibid., 105.
[4] Bishara al-Khuri, *Haqa' iq Lubnaniya* (Harissa, Lebanon, 1960), 20.

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handed down through the generations. The table below identifies many of the prominent families in politics, the number of assemblies on which they served, and the parliamentary seats they occupied. Since 1920, no more than twenty-six families occupied thirty-five percent of all parliamentary seats.

TABLE 1
Prominent Parliamentary Families (1920-1972)

Family	Year of Initiation	No. of Deputies	No. of Seats	No. of Chambers
Arslan	1922	4	19	15
Zayn	1920	5	18	13
Fadl	1922	4	17	10
Husayni	1922	4	17	14
Khazin	1920	6	16	15
As'ad	1925	4	16	12
'Usayran	1922	3	15	13
Haydar	1920	3	15	13
Edde	1922	3	15	13
Hamadeh	1925	1	14	14
Junblat	1920	3	14	13
al-Solh	1943	5	14	7
al-Khuri	1925	5	13	12
Skaff	1925	4	13	11
Frangieh	1929	4	13	12
Ghusn	1920	2	12	12
Salem	1925	3	11	10
Qaz'oun	1922	3	11	11
Lahhoud	1943	5	11	8
al-Khatib	1937	5	10	8
Beydoun	1937	7	10	7
Zuwayn	1925	2	9	9
Karami	1937	3	9	9
Gemayel	1960	3	9	4
Harawi	1943	5	9	8
Chamoun	1934	2	9	8
Totals		98	339	281

Source: Samir Khalaf, *Lebanon's Predicament*, (New York: Columbia University Press, 1987), 136.

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Once a family enters political life, it is very rare that their tenure will be interrupted throughout the successive Chambers. Twenty-three members of parliament are descendants of men appointed to the Legislative Assemblies under the French Mandate, and a majority of families began their tenure in the 1920's. The succession of the family can be perpetuated in many ways. It could go directly from father to son, or it could go to brothers, cousins, or brothers-in-law. Emile Bustani was succeeded by his only child, a daughter, Myrna el-Khazin, who was the first Lebanese woman ever to become a deputy.[5]

In the 1960 Chamber, there were often members of the same family holding offices simultaneously. This was not a rare occurrence. Joseph and Michel Skaff are brothers. In this case, the latter changed his religious denomination to Greek Orthodox in order to be eligible for a seat. Nicolas and Yousef Salem are twins. There are a number of cousins in the Chamber and several members who are related by marriage.[6]

The legislative branch of government, however, is not the only area where kinship plays an important role. Family names also mean power in the executive branch. The Premiership has usually been held by one of four Sunni Muslim families since independence. These four are the Solh, Kamareh, Yafi, and Salam families. Of the first fifty-three cabinets since Lebanon's independence, forty have been under the rule of one of these families. The Solhs consisting of Riyad, Sami, Takkiyye-din, and Rashid have held the Premiership the greatest number of times; Rashid has held it fifteen times alone. Abdel Hamid Karameh and his son, Rashid, have together held this office ten times. Abdallah Yafi has held it nine times and Saeb Salam six times. Due to cabinet crises, each cabinet has an average span of nine months. Once again, these four families have been in control a majority of the time with nearly seventy-five percent of the terms of tenure having been held by one of them. The Solh family alone has served for twelve years, or thirty percent of the time.[7]

The Premiership and the legislature are not alone in being controlled by a handful of powerful families. Several of the ministries within the Lebanese political structure are also dominated by certain households. For example, The Ministry of Foreign Affairs was held for

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[5] Khalaf, 106.
[6] Ibid., 106.
[7] Ibid., 107.

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a long time by the Taqlas, Salim and his brother Philip. The Ministry of Defense was likewise coveted by Majid Arslan.[8] These examples suggest that kinship is quite dominant in Lebanese politics. Each of these families is attempting to maintain power and privilege within its respective regions. This may be done by keeping one's family name prominent in the area of political affairs.

The importance of kinship within Lebanese politics is not limited to the distinguished families discussed above. Rivalries between these leading families tend to be both passionate and unceasing. Once feuds begin, it does not matter whether one is a Khalil or a As'ad; the entire region is drawn into the affair. Such rivalries tend to divide the region into two factions which extend beyond the immediate kin of these prominent families. "The slightest provocation – anything from the bitter contest for electoral office to the appointment of a village night watchman – may easily incite deep-seated hostility."[9] However, the most prominent event which causes these long time feuds to once again heat up is that of an election. Like other societies where kinship has taken on a large role, an election is not only used to elect representatives to governmental offices but also to allow the ruling elite a chance to perpetuate their power. These elections are not seen as some type of ideological contest between political figures. In fact, rarely, "if ever, have elections been sought and fought on a programmatic and impersonal basis".[10] More often than not, elections within Lebanon are used to help vindicate a wound that one family inflicted upon another or a feud that has divided a region. Since these elections are taken personally by both sides, a loss by one side is taken with a great deal of humiliation as well as spite toward the winner. Due to the fact that very few elections within Lebanon are based upon competing ideological platforms, there is very little room for organized debates. Rather, access to voters is gained through the traditional route of social calls and visits.

Elections are not the only place where family rivalries have taken place. The leading families of Lebanon also fight against one another for governmental appointments. This began in 1861 when the Reglement Organique caused the abolition of feudalism within Lebanon. This action threatened the social standing and security of the

[8] Ibid., 107.
[9] Ibid., 107.
[10] Ibid., 107.

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former landlords. In order to pacify this section of society, the mutesarrifate incorporated these families into many of the higher level governmental positions. Past President Bishara al-Khuri noted this connection between former feudal families and today's civil bureaucracy:

> High government positions virtually became the exclusive preserve, a *waqf*, for the leading families of the country. This came as a consequence of the continuing influence of feudalism though officially abolished by the "Reglement Organique." Office in those days was everything. It was the object of ambition and the source of all influence and prestige. Members of the same house and close friends would fight for it; they could risk peril to secure a coveted government job. It became a cause for hostility and heavy expenditure. Many an aristocratic house has been shaken, even ruined by it. This competition for office helped the Mutesarrif perpetuate his influence over the Lebanese families and dispense with Lebanese affairs according to his own whims and without any restraints.[11]

The action that was taken by the mutesarrifate proved to be somewhat functional. "Through this administrative aristocracy, a political continuity was maintained in Lebanon's government, linking the period of the mutesarrifate with the earlier periods . . . and preparing the way for later developments."[12]

The continual rivalry between families has proved to be more dysfunctional than productive. The political process tends to be personal and opportunistic. "Political alliances, parliamentary blocs, and opposition fronts are still predominantly initiated and sustained by personal and not ideological considerations."[13]

For example, the Socialist Front, that was created around the beginning of President Khuri's second term, was only a temporary alliance that combined incompatible factions. Like other political coalitions, the Socialist Front had a name which stressed an ideological platform. However, the only thing that members of this coalition had in common was their hatred toward President Khuri. Except for Junblat who had organized the Progressive Socialist Party in 1949, the coalition consisted of figures such as Chamoun who were ideologically opposed to the "socialism" which the group claimed to profess. By

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[11] al-Khuri, 30.

[12] Kamal Salibi, *The Modern History of Lebanon* (London: Weidenfeld and Nicolson, 1965), 117.

[13] Khalaf, 109.

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September of 1952 the Socialist Front demanded the resignation of President Khuri and the complete reorganization of the state.

When Chamoun came to power in 1952, the Socialist Front disbanded. However, it quickly reappeared under a new name, the National Front, in 1957. This time the Front included members such as Kamal Junblat, Rashid Karami, Salam, Yafi, and As'ad, all of whom had managed to be antagonized by Chamoun in the five years since he came to power. The National Front had no access to constitutional opposition within the Parliament and ultimately resorted to terrorist activities which led to the crisis of 1958.[14] These alliances were not something new. Bisharah al-Khuri remarked once to the Legislature:

> As for us, we differ from others in that we are negative blocs. Opinions meet today to destroy what is present but part tomorrow and we know not why. The party with us is the child of opportunism and the victim of aimlessness, at a time when the country awaits a plan or a program to uproot some of our evils.[15]

It would be wrong to assert that Lebanese politics has no ideological undertones. It would be just as wrong to claim that the entire structure of Lebanese politics is sustained by kinship. Rather, it should be acknowledged that both of these exist and are in a way intertwined. "The political history of Lebanon abounds with instances where purely personal and kinship rivalries are transformed into doctrinal conflicts, and where ideological commitment have been supported by kinship loyalty."[16] For example, the rivalry between Bishara al-Khuri and Emile Edde did not remain a personal struggle. Rather, their differences marked a difference in ideological orientation as well. The ideological and political similarities between Solh and Khuri were augmented by their mutual respect and personal comradery.

Fealty and the System of Zu'ama

Another traditional tie which is closely related to kinship is that of fealty. Fealty survives through the personal relationships between leaders and their constituents. Fealty involves support by the leader for his followers and in return the constituents promise their allegiance and loyalty, much like the lord-vassal relationship in a feudalistic

[14] Ibid., 109.
[15] al-Khuri, 159.
[16] Khalaf, 111.

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society. In Lebanon, this relationship involves the za'im who through personal commitments is able to gain the allegiance of the people in the region.

In modern day Lebanon, a majority of deputies within the political system may be classified as zu'ama. Some zu'ama may have more power, and some may be more traditional in nature than others. In some cases, one may be identified as a zu'ama and at the same time be a client to another zu'ama. This is very similar to the feudal system that was used throughout Europe. In the European model there was a pyramid system where one lord would divide his land to give to several men who were loyal to him for them to administer. They would then further divide the land and allow others to administer it. In this way, one may be a vassal to one man while being a lord to several others.

The definition of a contemporary za'im in a strictly Lebanese sense is "a political leader who possesses the support of a locally circumscribed community and who retains this support by fostering or appearing to foster the interests of as many as possible from amongst his clientele".[17] Usually a za'im belongs to a family who is noteworthy due to their large fortune. Due to his genealogical heritage and the prestige that goes with it, he is able to maintain and further his political power by distributing favors.[18] Often, the za'im will pass down his leadership to one of his descendants. A person who is considered a za'im is not considered only a political leader. He is able to go beyond political means in obtaining privileges for his community. Such a man is often considered a business leader because he is able to help his clients gain employment and in doing so, maintain their economic well-being. However, a za'im should not be seen as purely a businessman either. Rather, he is able to intertwine the functions of businessman and political leader into one figure. In that way, "he exchanges the betterment of his client group in all ways, economic, social, and political, for their political support".[19]

Pierre Gemayel, a prominent political leader within Lebanon, would not be considered a za'im. The political party that he heads, the Phalanges, is spread throughout the whole of Christian Lebanon with

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[17] Arnold Hottinger, "Zu'ama in Historical Perspective," in *Politics in Lebanon*, edited by Leonard Binder (New York: John Wiley and Sons, Inc., 1966), 85.

[18] Khalaf, 113.

[19] Hottinger, 86.

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no definite roots in a single region. The Phalanges also has the structure of what we would consider to be a political party rather than a mere client group. For example, it has a political bureau, a secretariat, sections, party locals, et cetera. The party also has an actual political aim: "that of influencing the destinies of Lebanon by political means".[20]

In contrast to Gemayel and his party, the followers of families such as As'ad, Salam, and Frangieh are considered a client group. They give support to their local leader, who in this case would be considered a za'im, in order to obtain some economic favor or help in dealing with the government if the need ever arises. Political programs for such leaders tend to be very elementary if not completely non-existent. Therefore, the community tends to vote for the person rather than the program which he supports. "The political attitude of the za'im only enters into the consideration insofar as it has to conform with the general communal outlook of the group he claims to represent."[21] Otherwise, the man's reputation and background tend to be more important.

A za'im can be either a local leader or a national figure. Both types have the ability to claim loyalty from their followers. The men who support a za'im do so with the expectation of support and gifts, but it is up to the leader to decide what means will be used to show his support. There are differences in the leader – follower relationship between the local and national za'ims. The relationship between a national leader and the public is very distant. Modern publicity and police control can greatly help in "stage managing" the affair.[22] A local za'im has much more daily contact with his followers than a national za'im. Due to this fact as well as the reality that his client group is smaller than that of a national leader, the local za'im is obligated to fulfill his promises to a certain extent with the use of monetary means. Many of the families who are considered present day za'ims are members of feudal families in the Ottoman Empire. These include Arslan, Jumblatt, As'ad, Hamadeh, Boulos, Frangieh, and Khazin. Not all of the past illustrious families of Lebanon have been able to maintain their power in today's politics.

Those families that presently are considered to be za'im were

[20] Ibid., 86.
[21] Ibid., 86.
[22] Ibid., 87.

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somehow able to retain and in some cases increase their riches, usually land holdings. While changes in the Tanzimat put an end to fief holdings, many of these families were able to transfer some of that land into private property. The Frangieh family from the Zgharta region is a good example. Its members were able to preserve their estates while at the same time maintaining the loyalty of their local client groups through the change from feudal to the looser political and economic relationship which exists today. In reality, the preservation of their power caused them to go through many changes. "The private property of such families and their links with their client groups had to be constantly recreated and reconstituted in each generation because political and economic conditions affecting the leaders and the client groups changed rapidly and radically."[23] The difficulty involved in successfully maintaining these loyalties is one of the reasons some of the prominent families during the Ottoman Empire faded out of the picture.

Today, the urban za'im has to be more of a politician because he is not a large landowner. This need to be a politician comes from various sources. One of these is that the constituents of the urban za'im are on the whole more politically minded than the clientele of other za'ims. Other reasons are that the urban za'im does not have an absolute hold over the economic life of his followers, and the economic relations which do exist between leader and follower tend to change quickly in an urban setting. An urban za'im needs to find a way to extend his clout beyond those people who are directly dependent upon him; the best way to do that is with political slogans. However, the urban za'im must be wary of such slogans because he cannot discard them easily and they can be used against him.

Za'ims have continued to exist even though feudalism is gone. It seems that the za'ims are able to be sustained through the personal ties of fealty. Their power is centered in local and regional communities and is "buttressed by the fact that the leader and his followers share a common religion or sect".[24] His assets are those of a personal relationship: reciprocal loyalties and obligations. The za'im preys upon the needs and misfortunes of those around him. He gives out jobs to those who are unemployed, and he intervenes in governmental processes on

[23] Ibid., 88.

[24] James A. Bill and Robert Springborg, *Politics in the Middle East* (Harper Collins Publishers, 1990), 96.

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behalf of his clients. In return, his followers pledge their loyalty in return for favors received and ones anticipated. "In several respects the entrenched evils of favoritism and graft are part and parcel of the syndrome of zu'ama."[25]

The za'im in present day Lebanon also benefits through the apathy with which the masses view politics. This is one of the reasons why many of the za'im from feudal times have been able to maintain their power; no one contests it. Many of the za'im in the cabinet are record holders, those holding ministerial positions the largest number of times. Majid Arslan has held office sixteen times, Ahmed Husaini ten times, Sami Solh nine times, Rahid Karami nine times, Hamid Franjieh eight times, Ahmad as-As'ad six times, Philippe Bulos five times, and Sa'ib Salam five times.[26]

Most of these za'ims are not national heroes, only local leaders. "They are the guardians and trustees of whatever privileges and benefits their communities are entitled to, not the articulators of new platforms and political principles."[27] The system of zu'ama is likely to remain a part of Lebanese society as long as kinship and fealty continue to be important. They continue to serve a political function in the absence of ideological groups and major political parties. The system of zu'ama has been very important in maintaining some type of stability in the system. A za'im represents a link between local communities and the larger political bureaucracy. Governmental bureaucracy was thrown upon Lebanon without much preparation. The maintenance of the zu'ama system allows the bureaucracy to become more personalized and therefore less alien to the Lebanese population.

Confessionalism in Lebanese Politics

Confessionalism and politics have been intimately related throughout the Middle East, and Lebanon is not an exception. Like the influence of kinship and fealty, religion is able to permeate every sector of the political process. This is especially true since religious and sectarian representation has been a legitimate feature of the Lebanese political system for quite some time.

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[25] Khalaf, 113.

[26] Malcolm H. Kerr, "Political Decision Making in a Confessional Democracy," in *Politics in Lebanon*, edited by Leonard Binder (New York: John Wiley and Sons, Inc., 1966), 212.

[27] Khalaf, 114.

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Many observers of the Lebanese political system have claimed that confessionalism has had disruptive consequences. Some of the problems for which confessionalism has been blamed are "the bankruptcy of ideological parties and pressure groups, the paralysis of Parliament, excessive meddling of religious leaders in the political life of the community, and the sacrifice of competence and efficiency on the altar of sectarian balance".[28] However by looking at the abuses that have certainly gone on in the government, one tends to forget the functional consequences of confessional loyalty.

The institutionalization of confessionalism, traceable to the mutesarrifate, did have some positive effects. It allowed Lebanon to experiment with a representative form of government rather early on in its history. Even though electoral competition was limited to a degree, it still provided a good framework for a society that was pluralistic and sectarian in nature. With the end of feudalism, religion began to take on a larger role within society. In doing so, it was able to help maintain a sense of identity and community in the population. Therefore, any arrangement which attempted to totally bypass the religious sentiments of the community would not have worked.

In 1941, Charles de Gaulle promised independence for the Lebanese. However, he planned to place limitations upon this new independence by reactivating the defunct Franco-Lebanese treaty of 1936. By doing so, he would be able to completely secure political, military, economic, and cultural privileges for those Frenchmen still living in Lebanese territory. However, the Lebanese were not willing to give in to any demands that would limit their independence. The newly formed Cabinet and Chamber united under the cause of an unconditional independence. This was made possible by the recent understanding by Muslims and Christians known as the *al-mithaq al-watani*, the National Pact of 1943.

The Pact was not a formal document nor was it even written down. It was merely a verbal agreement between the Maronite President, Bishara el-Khuri, and the man whom he had recently appointed as Prime Minister, Riad es-Sohl. Sohl was a Sunni Muslim who had pledged himself to the cause of Lebanese independence. With the consent of both the Christian and Muslim leaders, these two men committed these two religious sects to the following principles:

First, the Christians gave up the idea of an isolated Lebanon and

[28] Khalaf, 115.

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accepted an independent and sovereign Lebanon within the Arab world. The Muslims in return, gave up the idea of giving back to Syria the territories which had been annexed to Lebanon; and also the aim of uniting Lebanon with the Arab world.

Secondly, the Christians gave up the idea of foreign protection, either by way of occupation, military outposts or the concluding of treaties with the Western Powers. In return, the Muslims agreed to stop working to make the Lebanon submit to Syrian and Arab influence.

Thirdly, the number of seats in Parliament was to be distributed in such a way as to ensure a majority to the Christians. Also, the President of the Republic was always to be a Christian while the Premier in the Government was always a Muslim.[29]

The principles that were mentioned in the first and second paragraph assured both sides of the regional and international policy of Lebanon. The third paragraph assured the Muslims and Christians of political parity. At the time, the Christians had a slight majority over the Muslims and were therefore given a larger percentage of members in the Chamber of Deputies. To be exact, the ratio was six Christians to five Muslims.[30]

Thus, the balance of power that the National Pact had established in the Chamber of Deputies was carried over into the executive branch. Basically, the Pact just continued a policy which had begun while Lebanon was under the control of the French Mandate. The Maronites, being the largest of the religious communities, received the office of the presidency. The Sunnis, being the second largest community, received the premiership. Before the Pact, these two sects were polar opposites in regards to Lebanon. The Maronites desired isolation from the Arab world; the Sunnis pressed for integration. After this agreement was made, both sides felt satisfied. The Maronites were happy with the fact that Lebanon was assured of its independence with a Christian majority in the Chamber of Deputies and a Maronite in the highest office. The Sunnis were satisfied that there was a fair representation of Muslims within the legislature. This they felt, along with a Sunni as premier, assured that Lebanon would not be alienated from

[29] Leila M. T. Meo, *Lebanon, Improbable Nation* (Indiana: Indiana University Press, 1965), 83.

[30] Ibid., 83.

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the rest of the Arab world.[31]

Other religious sects within Lebanon desired representation as well. Therefore, the third largest sect, the Shi'ites, were given the presidency of the Chamber of Deputies. From then on the president of the Chamber would be elected from the Shi'i deputies within it. To give the other sects some peace of mind, Prime Minister es-Sohl included in his cabinet a Greek Orthodox, a Shi'ite, a Druze, a Maronite, and a Greek Catholic. The make-up of this cabinet set a precedent for future cabinets. While the composition of each Cabinet did not have to remain the same, "it did mean that they would balance sectarian interests within their ministries in accordance with their size".[32]

Whether it was done by accident or was so intended, the National Pact not only provided a political balance, but it also gave a "semblance of democracy and freedom of expression".[33] For example, it has organized the interplay of the various religious sects that work in the political system. While it has joined other cultural factors such as kinship and fealty in inhibiting the creation of political parties and pressure groups, it has been a "bulwark against the disruptive potential of irrational confessionalism".[34]

The National Pact is like many other political institutions within Lebanon. It was created through both rational and traditional elements as well as political and communal considerations. It recognized the legitimacy of confessional loyalties within the region and used them to try and create some sort of national identity. Therefore, inevitably it "came to fill the national vacuum in which the state was super-imposed after World War I".[35]

Although the National Pact is no more than an oral pledge between two men, it has accomplished a great deal. The Pact is "a practical, political pact, not a sentimental and emotional settlement, as is often implied".[36] Even though the pledge was created due to rational and national considerations, the leaders who designed it never forgot their communal and confessional loyalties. These men were able to reconcile

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[31] Ibid., 83.

[32] Ibid., 84.

[33] Khalaf, 115.

[34] Clovis Maksoud, "Lebanon and Arab Nationalism," in *Politics in Lebanon*, edited by Leonard Binder (New York: John Wiley and Sons, Inc., 1966), 241.

[35] Hassan Saab, "The Rationalist School in Lebanese Politics," in *Politics in Lebanon*, edited by Leonard Binder (New York: John Wiley and Sons, Inc., 1966), 276.

[36] Khalaf, 116.

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the rational and traditional elements in the political system, a very difficult task. The commitment to the such loyalties turned out to be an effective formula and not an "expedient deal among a few politicians".[37]

Confessionalism has been associated with nepotism, bribery, and bureaucratic inefficiency. In truth, confessionalism has been blamed for almost every shortcoming in the Lebanese bureaucratic system. "So much has been written about bureaucratic inefficiency and its inextricable association with confessionalism that one is led to believe that there exists a special "cult" in Lebanon that condones inefficiency and sustains its growth."[38] That there is inefficiency cannot be denied, that confessionalism is the root of it all is another matter.

In no way have confessional and sectarian loyalties prevented innovation and reform within the administration. Secondly, there is no "inherent contradiction between the principle of guaranteeing equity and amity by a proportional representation of the different confessional groups, and administrative efficiency".[39] There is no reason why both goals cannot succeed simultaneously. Confessionalism has been used as a scapegoat for many problems whose true roots lie somewhere else. Problems within the Lebanese bureaucracy cannot be blamed on one single source but have a variety of origins. Religion is very rarely an independent source for troubles; often it is combined with kinship and fealty. The elimination of one will very rarely cause problems to dissipate. Confessional loyalties do not have to hinder governmental bureaucracy. In fact, due to the strength of religion within the Lebanese communities, it is very unlikely that a bureaucracy could function without them.

Conclusion

Kinship, fealty, and confessional loyalties still supersede those of the nation-state or political party. In the same vein, a Christian is first a Christian, then a member of a specific family, then from a specific region, and only then a Lebanese. Likewise, a member of the Junblati family is a Junblati first and only then does he consider himself a progressive socialist. This is to say that a modern nation-state assumes

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[37] Leonard Binder, "Political Change in Lebanon," in *Politics in Lebanon*, edited by Leonard Binder (New York: John Wiley and Sons, Inc., 1966), 319.

[38] Khalaf, 116.

[39] Ibid., 117.

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that "the link between governmental authority and inherited privilege in the hands of families and notables is broken".[40] If this is the case, then Lebanon cannot be considered a nation-state. The ability one has to gain access to political power is still largely based upon kinship, fealty, and sectarian loyalties. Still, the political system has proven to be viable in integrating various factions of society.

Robert Merton, a prominent sociologist, has agreed with others in claiming that due to latent relations within systems, certain elements may be functional for part of the system but dysfunctional to the system as a whole. "It could easily be argued that the survival of primordial ties might very easily serve better the interests of certain groups and individuals than it does the maintenance of civility and national loyalties".[41] Whether these traditional influences come to take on a lesser role in future decades is yet to be determined.

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[41] Khalaf, 120.

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Political Democracy and the Prospects of Development in Post-Cold War Africa

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Research shows that the quality of life for most people in Africa has fallen significantly since the 1960s. There is a belief among many observers that unless certain drastic measures are undertaken, the living standards of a significant number of African people could continue to decline (Ergas, 1986, pp. 303-333; Mbaku, 1989, pp. 38-47; Wilson, 1990, pp. 5-16).

In 1990, the countries of sub-Saharan Africa were among the poorest in the world. In fact, today, thirty one of the world's forty poorest and least developed countries can be found in Africa (UNDP, 1992, pp. 130-131). The situation in sub-Saharan Africa is especially critical. Since most of the countries in that region achieved independence in the early 1960s, living standards have either not improved or have done so marginally. As Cornwell has stated, "Sub-Saharan [African] economies must grow by at least 4-5 percent annually to achieve food security, provide jobs and register a modest improvement in living standards (Cornwell, 1991, p. 74; also see Mbaku, 1989; World Bank, 1990).

If the gross national product (GNP) per capita is used to measure economic performance, it is seen that, except for a very few countries, most African economies have performed quite poorly in the last thirty years. For example, World Bank (1992) data show that most of the countries with per capita incomes less than U.S. $400 in 1990 were located in Africa. Mozambique's per capita GNP of U.S. $80 in 1990 made it the poorest country in the world. Except for a few countries, most of the states in Africa have either experienced only nominal

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growth in per capita income during the period 1965-1990 or have regressed economically. On the other hand, the majority of African countries have experienced very healthy growth rates in population during the same period (World Bank, 1992, pp. 218-219; 268-269). In 1990, the population of sub-Saharan Africa was 495 million people, an increase of over 15 million people from 1989 (World Bank, 1991, p. 255; World Bank, 1992, p. 269). If the present growth rate in population of 3.2% is maintained, this region's population will reach 1.3 billion people by the year 2025 (World Bank, 1991, p. 255). Many researchers believe that unless there is a "substantial investment in the productive capacity of the sub-Saharan African economies, such population growth could pose a significant threat to the quality of life of the people" (Mbaku, 1992, p. 39).

TABLE 1
Population Growth and Projections in Selected Regions of the World

Region	Average annual growth of population (%)		
	1965-1980	1980-1990	1989-2000
Sub-Saharan Africa	2.7	3.1	3.0
East Asia and Pacific	2.2	1.6	1.4
South Asia	2.4	2.2	1.8
Europe	1.1	0.1	0.8
Middle East and North Africa	2.8	3.1	2.9
Latin America and Caribbean	2.5	2.1	1.8

Source: World Bank. (1992). *World Development Report*, 1992. New York: Oxford University Press, p. 269.

Table 1 provides information on population growth in selected regions of the world. The data show that sub-Saharan Africa has the fastest growing population of all the world's regions. Table 2 gives data on population growth rates for selected African countries. The data reveal the extent of the region's population problem. Unfortunately,

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most of these countries have experienced only nominal growth in production in the last thirty years. Thus, unless significant investments are made in both physical and human capital, such rapid growth in population could wipe out the nominal gains in human development that these countries have made since independence in the 1960s (World Bank, 1991; World Bank, 1992; Mbaku, 1992).

TABLE 2
Population Growth Rates for Selected Countries in Africa

Country	1965-1980	1980-1990	1989-2000
Ethiopia	2.7	3.1	3.4
Somalia	2.9	3.1	3.1
Tanzania	2.9	3.1	3.1
Malawi	2.9	3.4	3.4
Rwanda	3.3	3.3	3.9
Kenya	3.6	3.8	3.5
Togo	3.0	3.5	3.2
Zambia	3.0	3.7	3.1
Liberia	3.0	3.1	3.0
Zimbabwe	3.1	3.4	2.4
Côte d'Ivoire	4.1	3.8	3.5

Source: World Bank. (1992). *World Development Report, 1992*. New York: Oxford University Press, p. 268.

The gross national product and its derivatives has been used traditionally as a measure for economic development. In recent years, however, many researchers have criticized this practice, especially when applied to developing countries. In countries in which there are significant inequities in income distribution, increasing per capita incomes may result from gains in income by a small group of households. Without any significant improvements in income distribution, the bulk of the people in the country may remain poor and deprived. Using the GNP per capita to gauge development would usually fail to

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reveal the existing inequities in the distribution of income and subsequently the levels of economic deprivation in each society. Scholars have developed alternative indicators which they believe are more appropriate for use in gauging economic performance, especially in developing countries. These include the Basic Needs Approach, the Physical Quality of Life Index (PQLI), and the Human Development Index (HDI). The latter is the latest among such alternative indicators and was developed in 1990 by the United Nations Development Program (UNDP). Since its development, researchers have heralded the HDI as a significant advancement in the search for the ideal yardstick for development (Flexner, 1990; Nafziger, 1990; Morris, 1979; Streeten, 1977; Mbaku, 1991a).

The PQLI was developed by Morris (1979) by giving equal weight to the social indicators: life expectancy at age one, infant mortality rate per 1,000 live births, and the adult literacy rate (Morris, 1979). Although it received some criticism for its weighting system, the PQLI has gained popularity and has been used by several researchers as a development indicator (see, for example, Moon and Dixon, 1985; Bradshaw and Tshandu, 1990; Mbaku, 1988; Mbaku, 1991a). The PQLI values range from 0 to 100, with higher values indicating greater levels of development.

In this analysis, we shall use PQLI values for 1985 to determine the extent of development in Africa. In 1985, Mauritius and Seychelles had the highest standards of living of all African countries, with PQLI values of 83 and 88 respectively. While a handful of countries in the continent had PQLI values in 1985 that were above 60, the majority of the African countries, especially those in sub-Saharan Africa, had extremely low PQLI values. In fact, among the ten least developed countries in the world, as measured by the PQLI, seven of them can be found in Africa. Information on the PQLI values for the African countries, thus, shows that these economies have achieved little improvement in the quality of life of their citizens during more than three decades of independence. Actually, living standards in some countries have fallen since the 1960s (Kurian, 1991, pp. 232-233; Morris, 1979, pp. 128-135).

The HDI, which ranges in value from 0 to 1, consists of the following indicators: life expectancy, adult literacy rate, and income. Higher values indicate higher levels of development (UNDP, 1990, pp. 13 and 109). This analysis uses the HDI values for 1990 to gauge human development in Africa. Of the 50 countries with the lowest

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levels of human development in the world, 38 of them are located in Africa. In fact, among the 10 least developed countries in the world, as measured by the HDI, 9 of them are found in sub-Saharan Africa. Except for Afghanistan, Bhutan, Nepal, Bangladesh, Yemen, Laos, and Haiti, the world's least developed nations are located in sub-Saharan Africa (UNDP, 1992, p. 131).

In the last thirty years, many developing countries have made significant improvements in domestic living standards. In addition to achieving food security, strong economic growth has generated resources that have been used to increase expenditures on health and education. As a result, illiteracy and mortality rates have fallen dramatically in these countries. The move toward higher levels of human development has not been universal. Many countries in Africa have failed to achieve any significant increases in human development. Several variables have been identified as contributing to poverty and deprivation in Africa. Some of these include poor natural resource endowments, unfavorable geographic conditions, dependence on primary commodities, unmanageable external public debt, excessive increases in population, bureaucratic corruption and graft in government. Additionally, massive state control of the African economies, and ethnic violence, are also mentioned as obstacles to growth and development in the continent (Cornwell, 1991; Ergas, 1986; Mbaku, 1988; Browne and Cummings, 1984).

Recently the World Bank remarked that the ability of the African countries to transform themselves from merely trying to meet debt obligations to long-term sustainable growth and development will depend on the ability of domestic policy makers to provide their economies with the appropriate environment for the productive use of resources. Provision of what the international organization has called an "enabling" environment for production will be crucial to development efforts on the continent in the 1990s (Cornwell, 1991, p. 74; World Bank, 1989).

Although the appropriate environment for the efficient utilization of resources will be unique to each economy, African countries must, individually, deal effectively with three critical issues: democratization and the provision of appropriate institutions for popular participation; political instability; and ethnic violence and war. All three issues are inter-related. The ability of each African country to furnish the appropriate environment for the productive employment of resources will depend on how well policy makers are able to address these three

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critical issues. In this essay, I shall examine all three issues and show how important their proper resolution is to development efforts in post-Cold War Africa.

Democratization and Development in Post-Cold War Africa

For many years, researchers have been interested in the study of the effects of institutional frameworks on economic development and social welfare. In 1988, Scully argued that the types of institutional frameworks chosen by a society significantly affected the level of economic growth and development in that society. He determined that "politically open societies, which subscribe to the rule of law, to private property, and to the market allocation of resources" grew faster than those in which these rights were abridged (Scully, 1988, p. 652). He concluded that countries that have "chosen to suppress economic, political, and civil liberties have gravely affected the standard of living of their citizens" (Scully, 1988, p. 653).

Soon after they gained independence, many African countries opted for institutional frameworks which they believed would help policy makers deal adequately with mass poverty and deprivation. These countries chose state control and economic planning as a development path. The private sector was de-emphasized and the government allowed to take over control of many market activities. Research shows that statism has not succeeded as a development path in most African countries. More than thirty years of bureaucratic planning and state control have failed to improve living standards for most Africans. Statism has instead encouraged or facilitated corruption in public office, political mismanagement of national resources, graft in government, and the promotion of unworkable or perverse economic policies. Excessive government regulation of economic activity has imposed so heavy a burden on business activities in the formal sector that many entrepreneurs have chosen to join the underground economy, leading to a significant reduction in the government's taxable base. In fact, state control has failed to eliminate mass poverty in the majority of African countries; it has instead increased levels of poverty and deprivation through government intervention in the market place, mismanagement of national resources by bureaucrats, and the promulgation of perverse economic programs (Mbaku, 1991b, pp. 181-194; Cornwell, 1991, pp. 74-75).

After independence, the efforts of most African governments were devoted to the development of the institutions that provided state

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coercion. Thus, while military and bureaucratic institutions in these countries have been relatively well developed, those for popular participation are still in their embryonic stages. As a result, political democracy is not a common practice on the continent. For African countries, development in the 1990s requires that institutional frameworks that are responsive to and capable of effectively handling the people's demand for greater levels of political participation be established. Properly functioning democratic institutions are part of the enabling environment mentioned by the World Bank as a condition for the attainment of sustainable growth in Africa.

Since the end of the Cold War, Africa has suffered from increased marginalization in global affairs. The collapse of communist governments in Eastern Europe, the disintegration of the Soviet Union, and of course, the end of super-power rivalry, has robbed Africa of its strategic importance to the West. Except for Muslim North Africa and South Africa, African problems appear to be of little interest to the international community. North Africa still attracts Western interest because of its proximity to the rich oil fields of the Middle East and the fact that some Muslim North African states may play an important role in securing peace in the region. Western interest in South Africa has been based on cultural ties, the need to see apartheid abolished, and because the country's significant mineral deposits were important to the defense and security needs of NATO. The end of the Cold War has reduced South Africa's strategic importance. Abolition of apartheid could mark the end of Western interest in most of Africa. For policy makers in Africa, then, the task is to convince Western politicians "of the need to assist a region whose problematic economies and poor future prospects seem less and less relevant to the growth of richer countries" (Cornwell, 1991, p. 74). The first step is for African policy makers to provide their people with unrestricted access to political systems; in other words, these countries must establish properly functioning democratic systems. Dictatorial or autocratic governments must be abandoned in favor of institutional frameworks that maximize popular participation.

Providing citizens with the opportunity to organize political parties to compete for the capture of the apparatus of government is a move in the right direction. Multipartyism, however, is not synonymous with political democracy. According to Lipset (1963, p. 27), democracy is "a political system which supplies regular constitutional opportunities for changing the government officials..." In Lipset's definition of democra-

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cy, elections are emphasized as an important vehicle for citizens to participate in governance.

Earlier, Dahl (1965, pp. 67-90) had provided a definition for democracy which, while emphasizing elections, also provided a means through which the democratic nature of elections could be ascertained. He suggested that each vote in a democratic election be accorded equal weight, and that all citizens participating in the electoral process be given the same information about the issues to be decided by the election. Once the election is completed, he emphasized, the orders of those who have just been chosen through the election be carried out.

In discussing political democracy, Downs (1957, pp.23-24) stated that democratic societies must hold periodic elections in which each voter is allowed to cast only one vote. In addition, the electoral process must allow more than one political party to compete for capture of the government and majority rule must be used to determine the outcome of the election.

In his definition of democracy, Lenski (1966), while emphasizing the importance of elections, argued that the provision of other political liberties to citizens was just as important. He specifically argued in favor of allowing citizens to develop opposition parties.

Some researchers have identified the existence of national elites as more essential to the proper functioning of political democracy in a society than the attainment of fair elections and political freedoms. According to them, in each society, there exists a group of individuals who possess a "disproportionate degree of political power" (Bollen, 1980, p. 372). According to Bachrach (1967, p. 1), "the exigencies of life in the industrial and nuclear age necessitate that key and crucial political decisions in a democracy, as in totalitarian society, be made by a handful of men."

Bollen (1980, p. 372) recognizes the importance of elites to a proper definition of political democracy. He defines political democracy as "the extent to which the political power of the elite is minimized and that of the nonelite is maximized" (Bollen, 1980, p. 372). More insights into the concept of democracy can be gained if one examines Bollen's measure for it. In 1980, Bollen designed the Political Democracy Index (PDI) to be used to measure the extent of political democracy in a society. He started by putting emphasis on elections and political freedoms, in order to determine the effect of elections on the power of the nonelites. In each country, elections allow the citizens to freely support or oppose state policies. Thus, elections provide citizens with

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a significant level of political power. In a society in which citizens are granted freedom of speech, a free press, and freedom to form opposition groups, they have greater opportunities to organize in order to protest government policies, and as a result, affect decisions made by the national or ruling elites. Political freedoms also allow citizens to form political parties to compete for capture of the government. In countries in which these freedoms are abridged, the ruling elite maximizes its political power at the expense of the nonelites (Bollen, 1980, pp. 372ff).

Bollen's PDI was based on the concepts of political liberties and popular sovereignty. He indexed political liberties by freedom of the press, freedom of speech, and the right of citizens to organize political parties. Popular sovereignty is indexed by fairness of elections, method of selecting the chief executive of the nation, the method used to select the legislators, and legislative effectiveness. Political liberties measure the "extent to which the elites of a country are accountable to the nonelites" (Bollen and Grandjean, 1981, p. 652). Popular sovereignty, Bollen argues, should imply free elections in which all votes have equal weight and the electoral process is fair. The political democracy index developed by Bollen ranges from 0 to 100 with higher values indicating greater levels of political competition in a society (Bollen, 1980, pp. 375-377). In 1991, Bollen revised and updated the PDI (see Bollen, 1991). The two PDI values, one for 1965 and the other for 1980, are reported in Table 3 for selected African countries. The data reveal, in general, that since independence, most African countries have not been able to successfully democraticize their societies. Many of these countries were unable to retain the parliamentary systems left by the departing Europeans. Post-independence attempts at maintaining political competition were thwarted by coups and the subsequent establishment of autocratic systems and one-party governments. Countries such as Nigeria and Ghana that appeared to have achieved a significant level of success at experimenting with democracy fell victim to military coups and the subsequent abridgement of several political liberties. Except for a few countries (e.g., Botswana, Mauritius, and Namibia), the democratic movement in Africa is still in its embryonic stages. Yet the future development of the continent in the post-Cold War period hinges on the ability of policy makers to develop truly democratic systems; those that guarantee political liberties and popular sovereignty. Without such policy reforms, the continent is likely to fail to provide the appropriate environment for the productive

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utilization of resources.

Political Instability and Development in Africa in the 1990s

Several researchers have identified political instability as a major constraint to development in Africa (see, for example, Ergas, 1986; Mbaku, 1988; Mbaku and Paul, 1989; World Bank, 1981; Mbaku, 1992). Since the early 1960s, more than sixty coups d'état have been used to overthrow governments in Africa. Additionally, many African countries have either fought a civil war or have been involved in some form of international or border conflict. Others have encountered significant levels of ethnic conflict. As a result, few African countries have developed a tradition of institutional stability during the first three decades of independence (Mbaku, 1988, pp. 89-90; Mbaku and Paul, 1989, pp. 63-72; Ergas, 1986, pp. 303-333).

The literature defines political instability in terms of either a challenge to the nation's political system or a change in it. A government change may include a cabinet reshuffle, overthrow of the chief executive, or a change in the party composition of the ruling cabinet following an election. Examples of challenges to the incumbent regime include attempted coups, plots, and motions of censure sponsored by the opposition against the regime (Morrison and Stevenson, 1971, pp. 347-368; Sanders, 1981; Mbaku 1988, pp. 89-112).

In 1971, Morrison and Stevenson defined political instability as "a condition in political systems in which the institutionalized patterns of authority break down, and the expected compliance to political authorities is replaced by political violence" (Morrison and Stevenson, 1971, p. 348). The struggle between economic agents "over the values governing the rewards in a society" is seen as contributing significantly to political instability (Morrison and Stevenson, 1971, p. 349). To fully understand the concept of political instability, one should examine the "power relationships that exist between different economic agents in the country" (Mbaku, 1988, p. 90).

The literature recognizes three types of political instability: elite, communal and mass instability (Morrison and Stevenson, 1971; McGowan, 1975; McGowan and Johnson, 1984). Elite political instability derives from situations in which a society's political leaders are forcefully and illegally removed from office.

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TABLE 3
Political Democracy Levels in Africa, 1965 and 1980

Country	Political Democracy Index, 1965	Political Democracy Index, 1980
Algeria	27	17
Angola	12	11
Benin	25	11
Burkina Faso	7	6
Burundi	58	0
Cameroon	56	17
Central African Rep.	34	0
Chad	48	6
Congo	46	11
Ivory Coast	46	17
Egypt	39	33
Ethiopia	13	0
Gabon	45	28
Ghana	24	83
Guinea	37	11
Kenya	58	33
Liberia	46	6
Libya	34	17
Madagascar	83	28
Malawi	58	17
Mali	37	0
Mauritania	59	0
Morocco	32	61
Mozambique	12	11
Niger	16	0

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Nigeria	50	83
Senegal	54	39
Sierra Leone	75	33
Somalia	77	11
South Africa	59	56
Sudan	38	22
Tanzania	63	28
Togo	46	11
Tunisia	64	28
Uganda	69	44
Zaire	39	17
Zambia	67	22

Sources: Bollen, Kenneth A. (1990). Political democracy: Conceptual and measurement traps. *Studies in comparative International Development* 25 (1): 20-23; bollen, Kenneth A. (1991). Liberal democracy: Validity and source biases in cross-national measures. Working Paper. The University of North Carolina, Department of Sociology, Chapel Hill, NC 27599-3210.

Coups, attempted coups, and plots to overthrow the government are behaviors associated with elite political instability. Those who stage or sponsor a coup usually plan to capture the apparatus of government. Most coups are conducted by elites representing competitive groups. The majority of coups that have taken place in Africa in the last thirty years have been conducted by military elites (Mbaku, 1988, p. 92).

Communal instability usually results from attempts by communal groups to either overthrow the regime or dissolve their relationship with the present state and unite with another country or form their own nation. Communal groups are characterized by ethnicity, language, religion, territory, or a combination of the above traits. Activities that contribute to communal instability include civil wars, rebellions, irredentism, and ethnic violence. While groups that support rebellions usually expect to obtain more political autonomy for themselves within the present state, those people fighting a civil war expect to either secede from the present state and form their own country, or replace the leadership of the polity in which they presently reside (Mbaku, 1988).

Mass political instability is caused by violent attacks on national

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political leaders initiated by mass movements. A mass group usually is formed to maximize a stated objective. As a result, membership in these organizations is open primarily to those individuals who believe in and support the objectives of the group. Riots, armed attacks, revolutions, political strikes, and assassinations are the manifestations of mass political instability. It is important to note, however, that unless activities contribute to institutional instability or threaten the country's political system, they are not considered indicators of mass political instability. For example, strikes by labor unions for increased compensation and better working conditions, murder, armed robbery, and other criminal activities usually do not qualify as contributors to mass political instability (Mbaku, 1988, p. 93; Morrison and Stevenson, 1971, pp. 349-354; Hibbs, 1973, p. 7).

Research shows that the most significant types of political instability in Africa are elite and communal instability. In 1971, Morrison and Stevenson found both elite and communal instability to be "well defined independent dimensions of political instability" in sub-Saharan Africa. Mass political instability, however, was not a determinant of political instability in the region (Morrison and Stevenson, 1971, p. 367).

In most of Africa, post-independence state control and economic planning have produced political resource allocation systems in which access to markets is available primarily to members of the politically-dominant group. Locked-out economic agents have come to recognize that the only effective way to gain access to economic markets is to capture the apparatus of government. Unfortunately, constitutionally-sanctioned methods of regime change either do not exist in many of these countries or do not function properly. As a result, individuals or groups aspiring to capture the government have had to resort to political violence. It is no wonder that control of the apparatus of government and resource allocation (including property rights assignments) has been monopolized by those possessing significant levels of violence. The armed forces, which possess a comparative advantage in the effective use of violence, have dominated post-independence government in many African countries. Military dominance of resource allocation has resulted in disproportionately large defense budgets, leaving the state with little resources to invest in public health, education, and the physical infrastructure.

Many researchers believe that the security of property rights is an important determinant of savings, and subsequently, capital formation.

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Since those who provide funds for capital accumulation must be reasonably assured that they will be able to lay claim to the earnings generated by their savings, the security of property rights can be seen to be an important determinant of capital formation in a country. Political instability reduces the security of property rights, leading to a decrease in domestic savings. Institutional instability also causes capital flight and brain drain. In fact, in many African countries with significant levels of political violence, many skilled professionals have left for employment opportunities in more stable economies. For example, as a result of military meddling in Ghanaian politics, by the 1980s, economic and political conditions had deteriorated so much that over 1.5 million people, including "teachers, administrators and craftsmen of various kinds, but also many others with humbler skills" left the country for Nigeria (Rado, 1986, p. 563). In addition, a number of African students who were being educated in foreign universities have refused to return home after completing their programs. The subsequent fall in the domestic stock of capital has been devastating to the development effort, especially since these declines in capital formation are taking place in the midst of a population explosion.

Some researchers have argued that the gap between domestic savings and investment can be met by inflows of funds from abroad. Unfortunately, political violence discourages the flow of foreign investment. In the 1990s, African countries would have to make a concerted effort to develop stable political institutions. This involves developing institutional frameworks that are responsive to the people's demand for greater levels of participation. Stable and more responsive institutions should reduce political violence, resulting in an increase in savings and capital formation (Mbaku 1988, pp. 88-89; Millikan and Rostow, 1957; Chenery and Strout, 1966).

Ethnic Violence and War

War and ethnic violence are responsible for the deaths of many people in Africa. In fact, during the last thirty years, civil wars in Africa and conflicts between ethnic groups have been responsible for hundreds of thousands of deaths, depriving these economies of significant levels of labor resources. War also destroys the national infrastructure. Bridges, water wells, roads, and other important structures are either destroyed, neglected, or rendered non-usable by fighting. Such damage can reduce the productive capacity of already

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fragile economies, stunting economic growth and reducing the ability of the state to improve national welfare (Cornwell, 1991, p. 75; Mbaku, 1988, p. 99; Morgan, 1990, pp. 74-80; Baynham, 1991, pp. 180-189).

In war-torn economies, resources are usually diverted from education to the war effort. In addition, school facilities may be destroyed or converted into military use, depriving the youth of an opportunity to obtain an education. In civil wars, children are drafted to fight either for the government or for the opposition forces. The majority of skilled professionals in the country either flee to seek employment opportunities overseas or are reassigned to the war effort. In many countries involved in wars, spending on social programs is often neglected or halted completely as military spending becomes a state priority. As a result, hospitals, rural health clinics and dispensaries, schools, and other public service centers fall into disrepair (Cornwell, 1991, p. 75; Mbaku, 1988, p. 99).

War spending represents a significant threat to the health of the African economies. In addition to the fact that these expenditures increase the level of foreign debt, the African economies involved in war or ethnic violence must produce cash crops that can be sold in the international market place to earn the foreign exchange needed to buy military equipment. In the effort to earn hard currency for arms purchases, many economies in the continent have neglected food stuff production. In some instances, warring states in Africa have used foreign aid shipments to purchase military equipment. In its fight against Eritrean nationalists, for example, the Ethiopian government of Mengistu used emergency aid shipments to pay for Soviet arms (Cornwell, 1991, p. 76).

Many international aid agencies find it increasingly difficult or even impossible to carry out their operations in war-torn areas. Ethnic violence and war have caused some of these organizations to abandon efforts to help the local people and to transfer their operations to other poor but less violent areas of the world. A culture of violence and continuous civil strife could spell disaster for Africa in the post-Cold War period (Cornwell, 1991, p. 76).

Hunger continues to be a serious threat to life in Africa. While the reasons for Africa's food shortage problems are complex, war and ethnic violence have significantly exacerbated the situation. War destroys national food supplies. First, forced conscription of people to fight reduces labor resources in the rural agricultural sector, thus decreasing the nation's output of food stuffs. Second, military activities

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destroy farms, livestock, and the environment. Third, soldiers often pillage or seize farm animals for their own use, depriving the farm sector of productive stock. Finally, war may stop all trade between the rural and urban sector, depriving the latter of essential food supplies, and the former of vital inputs for foodstuff production. War, thus, has a very significant negative effect on food supplies. It is no wonder that in 1985, most of the countries on the United Nations' list of African countries most affected by hunger were at that time fighting civil wars. Sudan, Ethiopia, Chad, Angola, and Mozambique are the African states with the most serious hunger problems. These are also the countries which, for the last decade or so, have been in the throes of civil war (Cornwell, 1991, p. 75).

War can destroy social structures, uproot people, and corrupt their value systems. Communities that lose most of their property to war may turn to banditry for survival, or end up in crowded refugee camps, most of which spread disease and hopelessness. As Cornwell (1991, p. 75) has stated, the "wanton destruction of life and property and the military use of terror undermine the sense of values and of the dignity of humanity." The effects of seeing wanton destruction of human life can be very traumatic to children. If the children are not only witnesses to this destruction, but are themselves participants, then society may be looking forward to a future with citizens who have no sense of values. Many observers believe that Museveni's use of child soldiers in Uganda may have provided the country with a generation without moral values. Speaking of them, an observer remarked that, "these children are growing up without any sense of values .... They know nothing but the gun. We are creating in Uganda another generation of Idi Amins" (Rosenblum and Williamson, 1990, p. 125; Cornwell, 1991, p. 76).

Once a society develops a culture of violence, peace may become very difficult to achieve. Thus, for African countries, rebuilding after several years of protracted ethnic violence and civil war would be quite difficult. In addition to reconstructing the physical infrastructure and resettling the displaced, governments must restore public confidence in law and order. It will be an especially difficult job to rehabilitate unruly soldiers, who for the past several years have used the gun to avail themselves of resources. Demilitarization of large numbers of people and their subsequent integration into civilian life could pose a significant problem for many African governments that spent the last decade fighting for survival.

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An examination of ethnic conflict in Africa cannot be complete without a look at apartheid in South Africa. The South African political system is still characterized by state-sanctioned racial discrimination. Through its policy of apartheid or separate development, over two thirds of the people in the country are denied access to the political system. Control of property rights assignments has allowed whites, who constitute only 20 percent of the population, to control more than 80 percent of the land. In addition, color bar legislation has created a dual labor market, with access to skilled and high-paying jobs denied to blacks (see, for example, Findlay and Lundahl, 1987; Houghton, 1964; Hutt, 1964; Lipton, 1985; Williams, 1989; Mbaku, 1991c).

TABLE 4
Total External Debt Ratios of Selected Regions of the World, 1990

Region	Total external debt as a percentage of		Total debt service as a % of exports of goods and services	
	Exports of goods and services, 1990	GNP, 1990	1970	1990
All developing countries	171.3	40.2	11.2	19.4
Sub-Saharan Africa	324.3	109.4	5.3	19.3
East Asia and Pacific	91.1	26.9	7.9	14.6
South Asia	281.5	30.7	17.9	25.9
Europe	125.7	41.0	-	16.9
Middle East & North Africa	180.3	52.6	-	24.4
Latin America & Caribbean	257.4	41.6	13.1	25.0

Sources: (1) World Bank. (1992). *World Development Report, 1992*. New York Oxford University Press, pp. 264-265. (2) World Bank. (1989). *World Development Report, 1989*. New York: Oxford University Press, pp. 210-211.

In the last decade the international community, together with black groups in South Africa, have put significant pressure on the government in Pretoria to effect policy reforms that would abolish apartheid

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and provide all citizens with access to political and economic institutions. Most observers believe that by the end of this decade, apartheid will be abolished in South Africa and democratic rule brought to the country. While negotiations for a peaceful solution to the country's problems continue, ethnic violence intensifies. If the present participants in the negotiations are unable to resolve the problems, civil war could break out, and it may be a long time before the country ever achieves peace. If, however, the present negotiations are successful and apartheid is finally abolished and democratic rule introduced in the country, regimes in other African countries may face a new reappraisal. In fact, the demise of apartheid could become an important impetus for the democratization of the rest of Africa (Cornwell, 1991).

This discussion of the prospects for development in post-Cold War Africa cannot be complete without a brief look at two important issues: the region's debt crisis and the role of official development assistance (ODA) in sub-Saharan Africa's development effort.

The Debt Crisis in Sub-Saharan Africa

Sub-Saharan African debt has received less scrutiny than the debt of Latin American countries. In mid-1990, sub-Saharan Africa had a population of 495.2 million people compared to Latin America's (including the Caribbean) population of 433.1 million people (World Bank, 1992, p. 219). While both regions are comparable in population, sub-Saharan Africa is significantly poorer and severely deprived. For example, in 1990, the weighted average GNP per capita for Latin America and the Caribbean was U.S. $2,180, while that for sub-Saharan Africa for the same year was a mere U.S. $340 (World Bank, 1992, p. 219). Sub-Saharan African debt is currently around U.S. $150 billion, significantly less than what Latin America owes international lenders (UNDP, 1992, p. 45; World Bank, 1992, pp. 258-259). In fact, in 1990, two of Latin America's biggest debtors, Mexico and Brazil, alone had a total external debt of U.S. $158,302 billion (World Bank, 1992, p. 259). While sub-Saharan Africa owes international lenders significantly less money than other developing regions of the world, the former's extreme poverty makes its debt burden (debt/GNP) considerably larger. In 1990, the weighted average external public debt as a percentage of the GNP for sub-Saharan Africa was 109.4 compared to 41.6 for Latin America (World Bank, 1992, p. 265; also see Table 4).

The debt of the sub-Saharan African countries differs from that

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owed by Latin American countries in ways that make the former less of a concern to the global financial system. Due to the fact that most sub-Saharan African debt was primarily long-term, and granted on fixed-interest rates, increases in world rates of interest in the early 1980s did not have immediate effects on the African borrowers. African countries, however, were eventually affected by the higher interest rates when they sought more credit or attempted to reschedule old debt. In addition, since most sub-Saharan African debt was owed to governments and multilateral institutions, it did not appear to be as much of a threat to the international financial system as did the debt of Latin American countries (Feldstein, et al., 1987, p. 8).

The poverty of African countries makes their debt problems a very important development issue. Faced with deteriorating economic conditions, sub-Saharan African countries must still meet their obligations to international lenders. The flow of resources out of the continent as debt service represents an important drain on funds that could be used to increase spending on social programs. During the 1980s, social spending in sub-Saharan Africa fell by more than two-thirds. Most of the declines were mitigated partly by the demands placed on these economies by the international lending community (UNDP, 1990, p. 35; Mbaku, 1991a, p. 39).

In sub-Saharan Africa, debt service has become such a drain on foreign exchange that many countries are no longer able to import essential inputs for domestic industries. In addition, since the bulk of export earnings must be used to service the debt, the purchase of critical supplies for hospitals and schools is neglected. The debt crisis has also affected the production of food. Most African countries depend on the export of primary commodities (e.g., cocoa, coffee, and cotton) for their foreign exchange earnings. As a result, in an attempt to earn more hard currency to service the debt, many of these countries have neglected the production of foodstuffs and have devoted most of their effort to the production of cash crops. Many researchers believe that unless Africa's debt crisis is properly resolved, economic conditions in the continent will continue to deteriorate. According to the United Nations, "[w]ithout some end to the continuing debt and foreign exchange crisis in much of Africa and Latin America, the impressive human achievements recorded so far may soon be lost" (UNDP, 1990, p. 36).

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Official Development Assistance

In the 1950s, many policy makers in the United States believed that foreign aid could be used to promote economic development and establish democracy in developing countries (Chenery, 1964, pp.80-91).

TABLE 5
Flows of Official Development Assistance to Selected African Countries (millions of U.S. dollars)

Country	1969	1980	1990	ODA/GNP, 1990
Ethiopia	38.8	216.0	888.0	14.6
Somalia	33.0	446.5	428.0	45.9
Tanzania	39.3	666.2	1155.0	48.2
Malawi	27.6	143.3	479.0	25.7
Rwanda	17.7	155.3	287.0	13.4
Kenya	55.9	396.5	1000.0	11.4
Togo	17.5	91.0	210.0	13.0
Zambia	20.4	295.4	438.0	14.0
Liberia	16.4	97.9	115.0	..
Zimbabwe	0.7	164.1	343.0	5.5
Côte d'Ivoire	49.7	210.3	689.0	6.9

Sources: (1) Organization for Economic Cooperation and Development (OECD). (1977). *Geographic Distribution of Financial Flows to Developing Countries*, 1969-1975. Paris: OECD. (2) OECD. (1981). *Geographic Distribution of Financial Flows to Developing Countries*, 1976-1979. Paris: OECD. (3) OECD. (1984). *Geographic Distribution of Financial Flows to Developing Countries*, 1980-1983. Paris: OECD. (4) OECD. (1989). *Geographic Distribution of Financial Flows to Developing Countries*, 1984-1987. Paris: OECD. (5) OECD. (1990). *Geographic Distribution of Financial Flows to Developing Countries*, 1985-1988. Paris: OECD. (6) World Bank. (1992). *World Development Report*, 1992. New York: Oxford University Press.

According to Millikan and Rostow (1957), aid can be used to bridge the gap between domestic saving and domestic investment, helping the

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economy achieve a high level of capital formation. Since independence, sub-Saharan African countries have received significant amounts of official development assistance (ODA). The data in Table 5 show the flow of ODA to selected African countries since the 1960s. How has Africa fared in its ability to attract ODA? According to the data presented in Table 6, during the 1989/90 fiscal year, sub-Saharan Africa appears to have done very well.

TABLE 6
Official Development Assistance by Region, 1989/1990

Region	ODA per capita (U.S. $)	GNP per capita (U.S. $)	ODA per capita as % of GNP per capita
Arab States	43	1887	2.3
Sub-Saharan Africa	32	475	6.7
Latin America & the Caribbean	10	1962	0.5
East and South-East Asia	5	625	0.8
South Asia	5	458	1.1

Source: United Nations Development Program (UNDP). (1992). *Human Development Report, 1992*. New York: Oxford University Press, p. 42.

ODA per capita as a percentage of GNP per capita in sub-Saharan Africa was 6.7, the highest for all developing regions. In fact, as Table 7 indicates, of the top 20 recipients of aid in 1990, 10 of them were from Africa. Despite this significant flow of ODA to the continent, economic and social conditions in Africa continue to deteriorate. Several reasons have been advanced to explain why ODA has not had a significant impact on social and economic development in Africa. First, aid donors tend to favor countries that devote a lot of resources to military expenditures (UNDP, 1992, pp. 42-45). Second, those areas that are very critical for development (e.g., basic education, primary health care, safe drinking water, family planning and nutrition programs) are allocated the smallest share of ODA.

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TABLE 7
Top Twenty (20) Recipients of ODA in 1990

Developing country	Total ODA (U.S. $ millions)	ODA as % of GNP
Egypt*	5584	17.2
Bangladesh	2081	10.5
China	2064	0.5
Indonesia	1717	2.0
India	1550	0.5
Philippines	1266	3.0
Turkey	1259	1.7
Tanzania*	1155	37.5
Pakistan	1108	2.8
Kenya*	989	11.3
Morocco*	965	4.4
Mozambique*	923	77.4
Jordan	884	16.7
Ethiopia*	871	14.6
Zaire*	816	9.2
Thailand	787	1.2
Sudan*	768	9.5
Senegal*	724	15.4
Côte d'Ivoire*	674	7.2
Sri Lanka	659	9.1

Source: United Nations Development Program (UNDP). (1992). *Human Development Report*, 1992. New York: Oxford University Press, p. 42. The asterisks indicate African countries.

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According to the United Nations, less than 6.5 percent of bilateral ODA to developing countries is allocated to these human priority areas (UNDP, 1992, p. 45). Third, the granting of ODA usually favors countries whose leaders are friendly with the donors. As a result, the flow of ODA is highly unpredictable. In addition, most ODA is conditional, requiring the recipient to agree to either undertake a basket of domestic reforms or perform certain services for the donor. Quite often, the receiving country may be required to allocate the aid to highly visible sectors to allow the donor to reap some political benefits. This lack of control over allocation of the ODA may constrain the ability of domestic policy makers to put the aid to productive use.

Since the end of the Cold War, African countries have not been very successful at attracting additional flows of foreign aid. This may be due to the fact that the region has lost most of its strategic importance to the West. Decalo (1992, p. 14) states that with the end of the Cold War "disappeared any artificially-enhanced global value that Third World states had been able to extort from the former Cold War protagonists."

What literally transpired was a massive devaluation in the 'worth' of Africa.[2]

Recently, American foreign aid policy has been revised to take into account not only the pace at which the recipient nation is progressing toward economic deregulation, but also that at which the country is moving toward the establishment of political democracy. It appears, then, that in the post-Cold War era, most aid-flows to Africa would continue to be conditional on the pace at which the continent is carrying out its reform program (Decalo, 1992, p. 23).

The poor performance of ODA in Africa during the last thirty years indicates that dependence on foreign aid may not be the appropriate way to develop the continent. If economic and political reforms are successful, enough stability may be achieved to encourage the inflow of private foreign investment, which promises to be a more effective source of development in the continent than ODA.

Summary and Conclusion

This essay has examined critical issues facing the continent of Africa

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[2] Decalo, S. (1992). "The Process, Prospects and Constraints of Democratization in Africa," *African Affairs 91* (362), p. 14. Emphasis in original.

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in the post-Cold War period. The collapse of communist regimes in Eastern Europe and the demise of the Soviet Union have brought super-power rivalry to an end and robbed Africa of its strategic importance. As a result, African leaders must now concentrate on finding ways to convince the international community that the continent is worth saving. In order to attract development assistance from the West, African countries must reduce levels of domestic political and ethnic violence, and develop institutional frameworks that maximize popular participation. Institutions that guarantee political liberties and popular sovereignty should reduce levels of political instability. Unless such reforms are effected, the continent will fail to provide its economies with the appropriate environment for the productive employment of resources.

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Nationalism, Internationalism and the Anglo-Irish Agreement

Alex Greer
Victoria, B.C., Canada

Southern Irish nationalism traditionally involved a desire to incorporate Protestant Northern Ireland into the Irish Republic. The IRA movement, by contrast, has long been known to harbor strong Marxist sentiments and to be linked to international leftist terrorism. But a "new nationalism" has become dominant among non-IRA Irish "nationalists." This "new nationalism" is actually socialist and internationalist in its goals, seeking to separate Northern Ireland from the United Kingdom and to incorporate it into an Ireland which will abandon sovereignty to Brussels and a politically unified "European Community." It is their Northern Irish opponents who are the nationalists today, since a significant element among them not only wish to retain their link to Britain but also oppose the abandonment of British sovereignty in favor of a supranational government within the proposed "Single Europe."

Great Britain's recent 1987 election was fought on issues ranging from Thatcher's private enterprise economics to nuclear weapons. In the six counties of Northern Ireland, popularly called "Ulster,"[1] the last election was fought on what observer Richard Rose somewhat cynically observed as "how the country should be governed – or whether it should be governed at all".[2] In particular the Anglo-Irish Agreement, one and a half years old at this writing, constituted and still constitutes a major bone of contention between three parties; the unionists, who regard the agreement as a death warrant for the province's British connection; the outlawed Provisional Irish Republican Army and other republican terrorist organizations who for different reasons claim the pact to be a sellout *to* British rule; and finally the constitutional republicans who contend that the Agreement

[1] Ireland is divided into four provinces Ulster, Leinster, Munster, and Connaught. Since all of its six counties came from Ulster Northern Ireland is often called Ulster. In this study the terms Northern Ireland, Ulster and the Province will be used interchangeably.

[2] Richard Rose, "Northern Ireland: Time of Choice", (Washington D.C.: American Enterprise Institute for Public Policy Research, 1976), pg.1. A more extensive analysis of this point is found in Rose's "Governing Without Consensus: An Irish Perspective", (Boston, MA: Beacon Press, 1971).

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represents a just compromise and a promising hope for reconciliation between two seemingly antagonistic traditions.

This study does not intend to examine the rights and wrongs of the claims of each party in the drama which since 1969 has witnessed the death of over 2,500 souls and injured thousands more.[3] Perhaps too much has been published on both sides of the Atlantic trying to determine from centuries of history "who shot first" and whether the Union Jack or whether the Irish tricolour should fly over the six counties. Examining the Northern Ireland situation from a non-partisan perspective can be is difficult even from North America where many have kinship with the two traditions – as does this author. What this particular study will attempt to analyze is the contrasting intellectual and ideological underpinnings of the Protestant community's Ulster Unionism juxtaposed with the goals of those who represent the Roman Catholics in light of the Anglo-Irish Agreement.

On November 12, 1985, British Prime Minister Margaret Thatcher and then Irish Prime Minister Garret Fitzgerald held their historic meeting at Hillsborough Castle, County Down, in Northern Ireland to determine the troubled province's fate. Unlike previous summits, which had become an institutionalized function between the two heads of government in the 1980s, this one produced a treaty which would grant the Republic of Ireland a "role" in governing the six counties. When the ink was barely dry the Agreement caused James Molyneaux's Ulster (Official) Unionist Party and Rev. Ian Paisley's more militant Democratic Unionist Party to put aside their differences and hold joint protest rallies, Westminster seat by-elections and local council boycotts. The Provisional IRA along with other republican paramilitary groups have carried out a new campaign of assassinating police officers and even terrorizing civilians in Britain, while loyalist paramilitaries have attacked suspected terrorists in their homes or wherever they can be found.

The constitutional republican Social Democratic and Labour Party (S.D.L.P.) claimed credit for the Hillsborough Accord as a fruit of their New Ireland Forum report. Only the centrist co-confessional Alliance Party added their support to the agreement. Immediately it became

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[3] Police statistics indicate that in 1985 the number of terrorist murders, shootings and bombings are only a fraction of what it was in the peak year of 1972, and have even dropped slightly since 1981, the year of the hunger strike. See the appendixes in the Royal Ulster Constabulary's "Chief Constable's Annual Report 1985", (Belfast, HMSO, 1986).

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apparent that Rose's 1972 analysis of Northern Ireland stated, ("Governing Without Consensus: An Irish Perspective") which alleged that the British authorities were attempting to govern the province without the support of a significant segment of the population, either Protestant or Catholic, was as relevant in the late 1980s as it was in 1972. Why has each side reacted to the agreement as they have? The legalities of the accord itself, and its conflicting interpretations by the parties involved, need to be examined along with Ulster's recent political history.

II. The Hillsborough Agreement

The text of the agreement is not long, some sixteen pages, and divided into 13 articles. Optimistic rhetoric characterized the two government's joint communique, an example being one paragraph calling for joint action as "partners in the European Community to recognize the need for continuing efforts to reconcile and to acknowledge the rights of the two major traditions (Unionist and Catholic Nationalist) that exist in Ireland..." and "Reaffirming their commitment to a society in Northern Ireland in which all may live in peace, free from discrimination and intolerance, and with the opportunity for both communities to participate fully in the structures and processes of government." With these lofty declarations the agreement covers matters from the province's status to interparliamentary relations.

Article 1 deals with the "status" of Northern Ireland; a legal term which Unionists find to be vague. Article 1(a) states that the two governments "affirm that any change" in the province's status "would only come about with the consent of a majority of people..." Article 1(c) in turn binds future British and Irish governments to introduce "legislation to give effect" to the wish of a future majority wanting "a united Ireland..."

It is Articles 2, 3, and 4, dealing with the establishment of a new political structure, the Anglo-Irish Intergovernmental Conference, which has attracted the most criticism from Unionists. The conference is an outgrowth of the Anglo-Irish Intergovernmental Council, set up in 1981, as a body composed of leading officials of both governments to discuss matters of common interest regarding Northern Ireland. The North American press have given the impression that the agreement defines Dublin's role in regards to Ulster as being that of a consultant. Article 2(b) however specifies that the Republic's role goes much further:

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> The United Kingdom Government accept that the Irish Government will put forward views and proposals on matters relating to Northern Ireland within the field of activity of the Conference in so far as those matters are not the responsibility of a devolved administration in Northern Ireland. In the interest of promoting peace and stability, determined efforts shall be made through the Conference to resolve any differences.

The methods of governance of Northern Ireland proposed via the Conference are stated in Article 2(b): (i) political matters; (ii) security and related matters; (iii) legal matters, including the administration of justice; and (iv) the promotion of cross-border co-operation. Article 3 establishes the Conference's framework of meetings which may at be at Ministerial or official level or as in sub-groups. "When the Conference meets at Ministerial level an Irish Minister designated as the Permanent Irish Ministerial Representative and Secretary of State for Northern Ireland shall be joint Chairmen." Article 4(b) specifies that any devolution of powers to a Northern Ireland Assembly would involve "co-operation of constitutional representatives within Northern Ireland of both traditions there."

Articles 5 and 6 cover the political matters, to be dealt with at conference level. It includes protecting universally accepted values of "human rights and to prevent discrimination", but also parochial matters of "electoral arrangements" and "the use of flags and emblems" [Article 5(a)]. Article 6 grants specifically grants the Republic the right to "put forward views and proposals on the role and composition of (Northern Ireland government) bodies..." such as the Standing Advisory Commission on Human Rights; the Fair Employment Agency; the Equal Opportunities Commission; the Police Authority for Northern Ireland; and the Police Complaints Board.

Security and related matters are covered in Article 7. The Conference shall [Article 7(b)] "address policy issues, serious incidents and forthcoming events". Unionists sense danger in this broad terminology. Article 7(c) sets out a policy aimed at improving "relations between the security forces (the British Army and the provinces's police force, the Royal Ulster Constabulary) and the community," with the ostensible object of making the security forces more acceptable to the Catholic community. Article 8 dealing with legal matters and the administration of justice puts the question of extradition of terrorist suspects and having "mixed courts", that is courts which in certain types of cases would have both British and Irish judges.

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Articles 9 and 10 are concerned with cross-border Ulster-Ireland co-operation on security, economic, social and cultural matters. Article 9(a) states that the Conference "shall set in hand a programme of work to be undertaken" by top policemen in both Irelands "in such areas as threat assessments, exchange of information..." relating to law enforcement. Article 10 calls for co-operation between both governments in the economic and social spheres, especially for areas "which have suffered most severely" from the "troubles", included in this clause is "securing international support for this work."

Article 11 calls for a mandatory review of the agreement every three years or "earlier if requested by either Government." Article 12 dealing with interparliamentary relations agree that the two governments would "support as appropriate" the establishment of a joint Anglo-Irish parliamentary body made up of members of the parliaments of each nation. The final Article 13 simply specifies that the agreement enters into force when each government notifies the other of their acceptances.

The Anglo-Irish or Hillsborough Agreement or Accord has the status of a treaty which Queens University (Belfast) law professor Geoffrey Hornsey defines as falling into the type of treaty as an "agreement between governments." In regards to United Kingdom legalities Prof. Hornsey further notes that "a treaty is not part of law" until "Parliament enacts legislation giving effect to it..."[4] When the British Parliament on November 27, 1985, voted (473 votes to 37) to approve the agreement it was passing a resolution, not enabling legislation, which only makes the agreement "nothing more than government policy" according to another lawyer.[5]

Official Unionist Party Leader James Molyneaux commented, quoting from an article written by two professors of law, "... that the Agreement is not drafted in the precise language of constitutional lawyers but in the flexible language of politicians," in that "almost everything (as to what the Agreement will develop into) has been left open."[6] Before proceeding to examine the cases put by the unionist

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[4] Geoffrey Hornsey, "Some Legal Considerations Relating To The Anglo-Irish Agreement", printed in the Northern Ireland Assembly's, Committee on the Government of Northern Ireland, "Report, Proceedings and Appendices (III Volumes)", (HMSO: Belfast, 1986), Vol. II pg. 103.

[5] Peter Smith, "Why Unionists Say No", (The Joint Unionist Working Party: Belfast, 1986), pg. 25.

[6] NIA, Committee, op cit, Vol. III, pg. 59.

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plaintiffs and the Catholic defendants as to what they wish and think the Agreement should and/or will develop into this study will next establish some of the circumstances which led to the disputes.

III. Background to the Situation

a.) The Unionists and The Catholic Nationalists

Few people in the Northern Ireland of the immediate post-World II period ever would have guessed that their province would become one the world's byword for terrorism, but the nightmarish situation of the 1970s did not happen overnight. One could start with the Norman invasion in the Twelfth Century to the present. The Protestants trace their roots to the planting of Scottish and English settlers by King James I in 1607. The Roman Catholics regard themselves as the heirs of the ancient Gaelic cultures. It is common for many outside observers to characterize Ulster's problems as a religious version of the Hatfields and the McCoys; but while religion was, and is, a key factor, each community's historical development there was, and is, the cultural cleavage. Each attended their different churches and schools, patronized their own pubs and shops, joined their respective social clubs and fraternal societies (i.e., the Orange and Hibernian orders), and they observed different days in the calendar for marches and parades. Even sporting activities differed, with the Protestants playing standard British games like rugby and cricket and the Catholics playing Gaelic football and hurling.

By the mid-nineteenth century the distinct political traditions of the two communities, Unionism and Nationalism[7] were articulated by organized political parties, and into the early twentieth century both sides had formed paramilitary organizations. Irish nationalists wished for an Ireland eventually independent from all British political control, a goal in direct conflict with unionist intentions to maintain Ireland's

[7] In this paper, as is in Northern Ireland, the terms 'Unionist' and 'Loyalist' will be used to define anyone who wants to keep Northern Ireland in the United Kingdom, or at least out of the Republic of Ireland (there are some 'loyalists' who have demanded an independent Ulster), such a person usually is a Protestant; and the terms 'Nationalist' and 'Republican' will be used to identify anyone who wants a united Ireland, usually a Roman Catholic. In a sense the unionists could be called "nationalists", that is British nationalists. The nationalists could be called "unionists" because of their aspiration for "union" with the Republic of Ireland. Moreover as this study will note the present face of Irish nationalism has become internationalist, and thus one could say that the nationalists are no longer "nationalists". This paper will use the terms as they are used in Northern Ireland.

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place in the union with Great Britain since 1801. In 1921 The British government of David Lloyd-George settled for the time being the irreconcilable demands of the two traditions by partitioning the island between a twenty-six county Irish Free State with an overwhelming Roman Catholic majority, and a six county Northern Ireland, which with a two-thirds Protestant majority was made into a province in the United Kingdom with its own parliament.

A split resulting in a civil war occurred among the Irish Free State Nationalists over whether or not to accept the partition; but neither side within Northern Ireland were totally satisfied with the arrangement. The Unionists initially did not want a state of their own, they wanted Ireland to be governed from Westminster in the same manner as that of the rest of the United Kingdom, but given the circumstances they acquiesced. If unionists were only reluctantly satisfied the Nationalist Party in the six counties rejected the partition as an illegitimate gerrymander, for Ulstermen should vote in an all-Ireland election along with the Irishmen of the twenty-six other counties. The Partition was seen as a rebuff to the democratic wishes of all of the Irish people. Until 1972 Northern Ireland elections were always a sure victory for the Ulster Unionist Party given the Protestant majority, while the Catholic Nationalists showed their non-compliance by refusing to accept the title of "Her Majesty's Loyal Opposition".

Traditional Irish nationalism was, at least by modern standards, socially conservative, or "bourgeois" to use Marxist terms. There was, however, at the turn of the century a socialist element in the movement through the "Catholic-Marxist" James Connolly.[8] It was in the 1960s that Irish nationalism, mainly in the six counties, developed a left-wing socialist outlook, and this ethos constituted a major influence in formulating the Hillsborough Accord.

There is a significant aspect of the old nationalism, according to unionist historian Clifford Smyth, which the contemporary "nationalists" have inherited into their creed; namely an understanding of "democracy" fundamentally different from that understood by unionists. "Unionist democratic concepts derive from the Protestant Reformation and the settlement of 1688 (The Glorious Revolution)...", Smyth explained to a committee of elected unionist officials. "They are a secular expression of the theological doctrine of private judgement.

[8] For a study of the Marxist strain in the turn of the century Republican movement see Geoffrey Bell, "Connolly's Marxism", (London: Pluto Press, 1985).

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Irish Nationalist democratic concepts are essentially unBritish. They are continental, having their roots in the Enlightenment and the French Revolution".[9] Irish nationalism was one of the many nationalisms which grew out of the third word of the revolutionary slogan 'fraternite'. To American Historian Billington this meant the creation "of a new nation of cultural brotherhood",[10] and to the Irish this came to involve the culture of the island's Gaelic past. Smyth further elaborated on the Nineteenth Century development of Catholic Irish nationalist democratic thought and mentioned a contemporary example to illustrate his point:

> The medium was the United Irishmen and, later Daniel O'Connell. This whole process of developing a democratic concept which is essentially continental in flavor is symbolized in the Tricolour, which was the flag presented to Thomas Meagher by the Parisian revolutionaries in 1848. So the Union flag and the Tricolour actually mean something. They stand for different concepts of nationhood and democracy...
>
> Therefore there are two perceptions of democracy in Ulster. To illustrate this I want you to look at what Seamus Mallon (the Deputy Leader of the SDLP) said following the Loyalist protest...at Maryfield last week. He referred to what he called marching Fascist feet.
>
> ...He (Mallon) saw this manifestation of Fascism because he does not share the same concept of democracy as that of the Loyalists or Unionists in that crowd.[11]

Smyth went on to tell his fellow Unionist listeners that because Irish Roman Catholic Bishop Cahal Daly did not rebuke Mallon the bishop must also believe in the "continental concept of democracy", indicating that even Ulster's Roman Catholic clergy perhaps think the same as the Catholic lay politicians do, an irony considering the extreme anti-clerical nature of the French Revolution.

It is this "continental" understanding of democracy that, according to Smyth, is and still is at the root of Catholic Nationalist understandings of the partition. Todays constitutional Nationalists in their official statements condemn the partition as being the cause of violence in the

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[9] NIA, Committee, op cit, Vol. II, pg. 79.

[10] James Billington, "Fire in the Minds of Men: The Origins of the Revolutionary Faith", (New York: Basic Books, 1980), pg. 146.

[11] NIA, *Committee, op cit*, Vol. II, pg. 80-81.

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six counties because the division is "unjust" and was "contrary to the desire of the great majority of Irish people for the political unity and sovereignty of Ireland as expressed in the last all-Ireland election of 1918."[12]

While the old Irish nationalists did obtain some ideological underpinnings from the anti-clerical French Revolution much of their social attitudes (the word "attitude" is preferred over that of "policy" because the Nationalist Party did not clearly enunciate a social policy) was the traditional social doctrines of the Roman Catholic Church as contained in Papal Encyclicals. The Daniel O'Connell, whom Smyth spoke about, was the founder of the old party in the 1850s and was a devout Roman Catholic (Marxist historians describe O'Connell as a "bourgeois nationalist).[13] In its 120 year history the old party was often organized at local level by the parish priest and party meetings were often held in church halls. But come the 1960s the Nationalist Party's lack of a coherent social program for a nationalist community more educated and more urbanized and having economic problems led critics to describe the old party as being made up of "Green Tories."[14] As times were a changing,to paraphrase singer Bob Dylan, Irish nationalism went through a process which imbued it with socialist and internationalist ideals. The Catholic "nationalist" movement started to become concerned with social as much as they were concerned with national revolution, 'egalite' was added to its old call for 'fraternite'.

It was common in the late sixties and early seventies for British academics and journalists to portray the upheavals in the Catholic community as a process where the anti-partition nationalism of the past was declining in its appeal in favor of leftism. On one hand it is a mistake to downplay the traditional aspirations for Irish unity, but during the 1960s socialism, in whatever shade, was an ideology aptly described by Oxford Professor of Modern History Norman Stone, as being "hard to resist" in most centers of advanced learning throughout the western world in the 1960s. Irish Catholics, north and south alike, were no exception to the trend. In the parochial high schools history had always been taught from the Irish nationalist outlook, the partition and the Unionist government were seen as illegitimate. Thus when

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[12] New Ireland Forum, "Final Report", (Dublin: Stationary Office, 1984), pg. 8.

[13] In his "The British in Ireland: A Suitable Case for Withdrawal", (London: Pluto Press, 1984) Marxist Geoffrey Bell refers to O'Connell's "conservatism", pg. 21.

[14] Rose, "Northern Ireland", pg. 50.

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many young Catholics reached university socialist analyses of political economy, in whatever shade, was not only "hard to resist" but it gave a new meaning to the old cause. On one hand this new "nationalism" advocated the old aspiration for Irish unity but in the words of Bernadette Devlin (now Mrs. McAliskey), the most well-known of the new breed of young Catholic socialists, the new nationalism would constitute "an integral part of the working class movement".[15] Come the 1970s Socialism manifested itself in two streams in the Catholic nationalist community in Northern Ireland, a.) a Marxist one, which advocated violence, and b.) the constitutional which expressed itself in a respectable political party.

The Irish Republican Army after its failed border campaign of the late 1950s adapted a Stalinist interpretation of the Irish problem; Northern Ireland was a "colony" of British capitalist imperialism, at which the religious issue was used to keep the working classes divided.[16] The solution, according to the new IRA leadership, was not violence but a campaign of non-sectarian and non-violent political education and activism. Many IRA members channelled this effort into a movement concerned about minority grievances broadly called the civil rights movement.

The non-violent civil disobedience campaigns of civil rights activists led to violent clashes with the police and Protestant counter-demonstrators. When large and destructive riots occurred in Ulster's major cities in the summer of 1969, Belfast IRA members were inspired to split from the Dublin command in the autumn of that year to form the Provisional IRA (PIRA) as distinct from the Official IRA, and since then have carried out an "armed struggle" which reached a peak in the extensive terrorist bomb campaign in the early 1970s. At first the 'Provos' professed a vague goal of a "democratic socialist" united Ireland, and their rhetoric was mixed with some traditional nationalist slogans. But by the late 1970s PIRA goals and ideology crept more to a doctrinaire Marxist-Leninist bent, which a British Marxist proudly claims that "it is hard to refute the proposition that there is no

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[15] Quoted in Claire Sterling's "The Terror Network: The Secret War of International Terrorism" (Berkley edition), (New York: Berkley Books, 1982), pg. 153.

[16] More detailed accounts of the change in ideology of the IRA in the 1960s is documented in works such as Tim Pat Coogan's "The IRA", (London:Fontana, 1971) and J. Bowyer Bell's "The Secret Army", (London: Sphere, 1972). Shorter accounts can be found in chapter 3 of "The Sunday Times" Insight Team's "Ulster" (Harmondsworth, U.K.: Penguin, 1972) and in chapter 9, of Claire Sterling's "The Terror Network".

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organization in western Europe as far to the left as the Provisionals which can still boast of their kind of mass support."[17] One Provisional leader was quoted in an Italian Marxist publication as openly saying that IRA aims were to turn Ireland into "a Democratic Socialist Republic, something 'Third Worldish,' a bit like 'Allende's Chile'...similar to communism but not exactly like it..."Marxist in analysis" if not necessarily in practice, designed to "control the means of production and distribution".[18]

Even more radical is the Trotskyite Irish National Liberation Army (INLA) which gained media attention over the murders of Airey Neave and Lord Mountbatten. This organization was formed by a renegade Official IRA assistant chief of staff, Seamus Costello. All in all republican paramilitaries profess one form of socialism and have connections with other left-wing terrorist organizations the world over. Their terrorist campaigns are not only against the "colonialist" regime in Northern Ireland but also what they term the "Quisling" regime in Dublin; "...a revolution in Ireland could have incalculable consequences in disturbing the United Kingdom and, considering the crisis of Western capitalism, in all Europe", according to former student activist and Trotskyite Michael Farrell.[19]

The socialist republicans with the Armalites officially oppose the Agreement as a device which "formalizes the partition". At the same time one top member of the PIRA's political wing Sinn Fein (pronounced "Shin Fain"-Gaelic for "ourselves alone") has boasted that the "bartering power" of the constitutional nationalists who initiated the process which led to the Agreement, "flows from IRA firepower."[20] John Hume, the leader of the constitutional "nationalist" Social Demo-

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[17] Geoffrey Bell, "The British in Ireland", pg. 58.

[18] Quoted from Sterling's "The Terror Network", pg. 164.

[19] Also quoted from Sterling's, "Terror Network", pg.154. Miss Sterling's work also documents the connections which the IRA and the INLA have with other left-wing terrorist organizations and governments like Libya which give terrorists financial and logistical support. Recent findings have shed further light on the IRA-Libyan connection. According to "The Sunday Times" of London (April 20, 1986) the Provisionals have received £2 million in cash and bullion from Libyan embassies in European capitals since 1982. This is done through a man described by "The Sunday Times" as a "central contact". The October 30th 1987 seizure of the ship "Eksund" found 150 tonnes of weapons, ammunition and explosives which French authorities confirmed to the British Foreign Office, after an investigation, were supplied by Libya for the IRA. ("The Times" of London, Nov. 6, 1987).

[20] "Irish News", December 2, 1985.

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cratic and Labour Party (SDLP) has called IRA claims "shillyshalling"[21] and has praised the Agreement in that "for the first time there had been a real framework within which to address the problem of a deeply divided society."[22] Hume's comments are not surprising since the Agreement appears to represent many of the ideals which his party have advocated in it short history and most recently in the New Ireland Forum.

The SDLP, as the democratic stream of the new "nationalism," was preceded by the Northern Ireland Civil Rights Association (NICRA), which along with the more radical Peoples Democracy (PD), spearheaded the demonstrations of the late 1960s. The NICRA was a broad coalition of active republicans including members of the IRA, trade unionists, Communists, Catholic socialists and even some liberal and socialist Protestants. The NICRA was not a political party, its marches and demonstrations never openly called for the unification of Ireland but rather was on the surface concerned about Catholic grievances against the Unionist Government, whether real or imagined.[23] The new party was founded in the summer of 1970 by seven members of the Northern Ireland Parliament who were active in civil rights campaigns. They included the present leader John Hume and two other independent MPs Paddy O'Hanlon, and Ivan Cooper. The other

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[21] "Down Recorder", January 5, 1986.

[22] "Northern Ireland: Agreement between the United Kingdom and the Republic of Ireland", (London: Central Office of Information, 1985), pg. 7.

[23] The nationalist grievances were that members of their community were being discriminated in terms of public housing, jobs in both the private and public sector and gerrymandering the electoral boundaries by unionist controlled local governments. Many of these complaints were brought before the Cameron Commission ("Disturbances in Northern Ireland", Cmd 532 (Belfast: HMSO, 1969). The final report of the Cameron Commission is often quoted in most works on Northern Ireland taking for granted the content about nationalist complaints. There are counter-claims by unionists about the credibility of Nationalist grievances. One as such is Rev. Martin Smyth's "The Battle for Northern Ireland", (Belfast: County Grand Orange Lodge, 1972). Another is Dr. Clifford Smyth's "Christian Ethics and Propaganda: A Discussion of the Irish Experience", (Belfast: published by the author, 1982. There are writings on this question by those with "no axe to grind" which attempt to balance nationalist claims and unionist counter-claims, such as Richard Rose's already cited "Governing Without Consensus". The most recent is found in Christopher Hewitt's "Catholic grievances, Catholic nationalism and violence in Northern Ireland during the Civil Rights Period: a reconsideration", "The British Journal of Sociology", Vol. 32, No.3, September, 1981. Hewitt, a Professor of Sociology at the University of Maryland (U.S.A.), reached this conclusion about the nature of Catholic grievances: "...it has been shown that Catholic grievances were exaggerated and that nationalism was a much stronger force in the Catholic population and the civil rights movement than is generally acknowledged." (pg.377).

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four were Gerry Fitt (now Lord Fitt and then a Republican Labour MP who was the first leader of the SDLP until 1979), Paddy Devlin (then a Northern Ireland Labour MP), Austin Currie (then a Nationalist MP) and Paddy Wilson (a Republican Labour member of the upper house). By 1973 the SDLP emerged from a small fledgling movement to replacing the Nationalist Party as the chief political representative of Northern Ireland's Catholic community.

Unlike the old party the new party firmly established a left-wing ideological position. Objective number one of Clause Two in its constitution is "To organise and maintain in Northern Ireland a Socialist Party". The constitution specifically spells out the party's goals, of contesting elections "with a view to forming a Government which will implement ... a.) The abolition of all forms of religious, political, class or sex discrimination; the promotion of culture and the arts with a special responsibility to cherish and develop all aspects of our native (Irish) culture... b.) The public ownership and democratic control of such essential industries and services as the common good requires... and c.) the utilization of its powers by the State, when and where necessary, to provide employment, by the establishment of publicly owned industries." Essentially the goals are a clear reflection of the universalist (goal a) and the socialist (goals b and c) of the new face of Irish Nationalism. The SDLP is a member of the Socialist International and the Confederation of Socialist Parties of the European Community, which is consistent with its objective of co-operating "with other Social Democratic Parties on an international level." Also in this regard the SDLP is a strong supporter of the European Economic Community.[24]

The SDLP also differs from the old Nationalists in that it is officially non-sectarian, it has on occasion run Protestant candidates, but in practice the party is predominately Catholic in its leadership and make-up (John Hume is a former priesthood candidate). Like the old party it accepts the basic Catholic nationalist perception of Ulster's problem, the partition in 1921. But unlike the old Nationalists, and especially unlike the PIRA, the SDLP differs in the proposed solution. In Clause Two of its Party Constitution states as an objective "To promote the cause of Irish unity freely negotiated and agreed to by the people of the North and by the people of the South..." In so wishing to achieve unity by consent it is willing to work with and within British institutions and this has caused it to be labelled "accomodationist" by

[24] "SDLP Party Constitution", (Belfast: SDLP Publications, 1985), pg. 1.

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the IRA and its allies.[25]

There is some controversy as to how committed the SDLP is to its socialist proclamations. Writing some six years after its founding Richard Rose commented that "the socialist label is not universally accepted within the party; the lengthy compound name of the SDLP provides an umbrella under which people with a variety of economic views can accommodated."[26] Its first leader Gerry Fitt ended up resigning not only as leader but also as a party member partly because he perceived that it was becoming less socialist and more 'green Nationalist'. The new leader Hume hotly denied any such claims. When recently asked by an American interviewer on the matter of "differences" within the SDLP between those who "adhere to a strict nationalist line – the 'Greens' – and those who do not" the party's General-Secretary Alban Maginness replied that the "SDLP is a"united political party" and that any differences were "manufactured" by the press.[27]

While the SDLP desires unity by consent it also rejects the province's status quo, namely the "injustices" arising from the partition, a contention of continuing Unionist political domination; therefore the new party has always advocated radical constitutional changes to 'legally establish the equal validity of both traditions'. In the early 1970s the party produced a position paper, "Towards a New Ireland", which called for a.) joint London/Dublin sovereignty over Ulster, b.) a provincial legislative assembly whose laws could be vetoed by commissioners appointed by the two governments, and c.) a power-sharing executive elected by the assembly. Power sharing by unionists and Irish nationalists in whatever form, plus the "Irish dimension" (a role for the Irish Republic) concept have consistently been SDLP policy for Northern Ireland's constitutional development, and as we shall see, these principles were embodied into the New Ireland Forum Report and the Hillsborough Agreement.

While the contemporary politics of the Catholic "nationalists" in Ulster resembles something of the "Quiet Revolution" of their

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[25] Ibid, pg.1.

[26] At their 1985 party conference the SDLP passed many resolutions with a left of center bent, ie. EEC sanctions against South Africa, and calls for unilateral nuclear disarmament. "SDLP: Creating Equality, Building Peace, Fifteenth Annual Conference", (Belfast: SDLP Publications, 1985).

[27] Interview with Ron Chepesiuk, "Journal of Defense and Diplomacy", (Vol. 3, No. 10, October, 1985), pg. 16.

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co-religionists in French-Canada, the contemporary politics of the unionists almost resembles that of their co-religionists in South Africa. From the turn of the century to the late 1960s the Protestant community stood united behind the Ulster (Official) Unionist Party. When the Unionist governments of Prime Ministers Capt. Terrence O'Neill, Maj. James Chichester-Clark and Brian Faulker attempted to accommodate the demands generated by the new breed of "nationalists," as well as pressure from London, the unionists inside and outside the established party spilt into 'verligites' and 'verkamptes'. The first crack on the unionist right came with Ian Paisley's splinter Protestant Unionist Party, renamed Democratic Unionist Party (DUP). Within the established party, right-wing disgust with the leadership was expressed by organizations like Ulster Vanguard, which eventually formed another new party and then rejoined the official party in 1978 when the accomodationist leader Brian Faulkner was ousted. Many supporters of the accomodationist[28] policies joined the new co-confessional Alliance Party and the short-lived Unionist Party of Northern Ireland. From the late 1970s and into the 1980s the Official and Democratic Unionist parties emerged as the two major political contenders in a tug of war for the support of the Protestant electorate.

The cause of maintaining Northern Ireland's place in the United Kingdom is the major reason for the existence of both unionist parties. "The Republic of Ireland simply is not our country.", said Official Unionist General Secretary Frank Miller to an American interviewer. "We have never identified with it socially, politically or culturally. Our links are British. We are as British as the people you find in England, Scotland or Wales."[29] Moreover the unionists regard the Republic of Ireland as a hostile state because of Articles 2 and 3 in its 1937 Constitution.[30] Two constitutional lawyers have observed that because

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[28] The policies of both the Wilson Labour and Heath Conservative governments, and that of the O'Neill, Chichester-Clark, and Faulkner Unionist governments, which angered the unionist right were those pertaining to security (disarming the RUC and disbanding the auxiliary 'B' Special Constabulary), and government administration (centralizing the administration of social services out of local councils to new provincial agencies in the areas of health, roads, and public housing).

[29] Interview with Chepesiuk, "JODD", op cit, pg. 13.

[30] Article 2 of the Republic of Ireland's 1937 Constitution reads: "The national territory consists of the whole island of Ireland, its island and the territorial seas." Article 3 of the said Constitution reads: "Pending re-integration of the national territory, and without prejudice to the right of the Parliament and Government established by this Constitution to exercise jurisdiction over the whole of that territory, the laws enacted by that Parliament shall have

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of the said articles "...the Republic has asserted a formal, though not a practical, claim to exercise jurisdiction over Northern Ireland...", which unionists regard "as a direct denial of the legitimacy of Northern Ireland",[31] on the Republic's part.

While Mr. Miller's comments represent the sentiments of all Unionists there are differences between and within the parties on how Northern Ireland is to remain British. Official Unionists are generally divided between those who favor total integration into the United Kingdom, an option which would mean that Northern Ireland would be governed from Westminster on the same manner as Scotland and Wales, and those who favor some form of devolution. In 1984 a group of Official Unionist members of the province's Assembly drew up a position paper called "The Way Forward" which proposes a scheme for a devolved provincial assembly which would be an "administrative" body rather than an executive or a legislative body. The Democratic Unionists at present oppose the former option, and have advocated devolution by majority rule but with the opposition being given a high profile role in legislative committees.[32] Their most recent position on devolution were expressed in a 1984 policy paper entitled "Ulster: The Future Assured", where they expressed a willingness to abandon their earlier majority rule concept.

Both parties have been united in opposing the SDLP policy of power sharing and the Irish dimension which are both perceived as being stages to deliver Northern Ireland into the Republic. The latter in particular is perceived as an infringement of Northern Ireland's sovereign position in the United Kingdom. Moreover, unionists, of whatever party, are generally opposed to any measure which would undermine the sovereignty of the whole of the United Kingdom. Individually and in party pronouncements unionists have argued against British membership in the European Economic Community which "has been a disaster for Northern Ireland industry and agriculture and which has led to unacceptable interference in Northern

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the like area and extent of application as the laws of Saorstat Eireann and the like extra-territorial effect."

[31] Kevin Boyle and Tom Hadden, "Ireland: A Positive Proposal", (Harmondsworth, U.K.: Penguin, 1985), pg. 44.

[32] Ian R.K. Paisley, Peter D. Robinson and John Taylor, "Ulster The Facts", (Belfast: Crown Publications, 1982), pg.85-88.

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Ireland affairs."[33] Much of these concerns have been expressed in Unionist opposition to the Anglo-Irish Agreement.

On socio-economic matters neither party accepts socialism. Official Unionist MP Rev. Martin Smyth said in an interview with this author in response to a question on political philosophy that he defines himself as "a Christian capitalist" who does not "accept the philosophy of socialism" and who questions "whether the concept of socialism/communism really can meet the needs of mankind."[34] Richard Rose notes that Official Unionist free enterprise views does not prevent them from welcoming "government assistance in the form of British treasury subsidies for everything from Ulster shipyards to Ulster pig farms."[35] Rose continued to note that former English Conservative Enoch Powell joined the Official Unionists for its Britishness and has been attacked by some unionists for advocating the withdrawal of subsidies. The Democratic Unionists profess to "have a social conscience (accepting the existence of state welfare services)" but also profess that they are not a socialist party.[36] Both Unionist parties appear to steer a middle ground in left-right socio-economic issues.

This is not to indicate that all Protestants who support the union with Britain are not socialists. There is the pro-union Northern Ireland Labour Party (NILP) which has been closely linked with the British Labour Party and is also a member of the Socialist International. While the NILP's electoral successes have been marginal since 1969 its support has dwindled to a bare handful of supporters. Many individual advocates of integration into the United Kingdom are also socialists. The loyalist paramilitaries who support the idea of an independent Ulster as an option, such as the Ulster Defence Association (UDA), are said to have Marxists within their leadership and ranks.[37]

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[33] "Ulster Democratic Unionist Party, Annual Conference 1984", (Belfast: published by the UDUP, 1984), pg.3. As well as many resolutions having to do with parochial matters the UDUP Conference passed a resolution confirming "its continued opposition to the Campaign for Nuclear Disarmament to enable the government to negotiate from a position of strength."

[34] Alex Greer, "Ulster Update", and "Interview with Rev. Martin Smyth", "Reformed Perspective", Vol.6, No.1, November, 1986, pg.8. See also the author's "Northern Ireland: The Deadlock Continues", "Reformed Perspective", July, 1986, Vol.5, No.8, pg.3-7.

[35] Rose, "Northern Ireland", pg. 38.

[36] David Calvert, "A Decade of the DUP", (Belfast: Crown Publications, 1981) pg. 5.

[37] This information was given to this author in private inter- views by two individuals, one in the Ulster (Official) Unionist Party and the other close to leading officials in the Ulster Democratic Unionist Party. For reasons best known to themselves their names cannot be given.

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In summary the differences between Catholic and Protestant is much deeper than flags, flutes and drums. The Catholic movement in adopting socialism and internationalism to their creed have produced a new set of policies for Northern Ireland which, as will be noted in the upcoming sections, go beyond traditional values such as state sovereignty. The unionists have for the most part have maintained their traditional view of state sovereignty as their opposition to the Agreement reveals.

b.) Sunningdale to Hillsborough

The Unionist controlled Northern Ireland Parliament, (often called Stormont, the name of the park where it is located outside Belfast), came to an end in March 24, 1972, when British Prime Minister Edward Heath announced the beginning of direct rule. Since then Northern Ireland has been governed directly from London; legislative power is by Orders-in-Council by the British Cabinet, the content of which is often drawn up by the Northern Ireland Office, and executive power is held by a Secretary of State for Northern Ireland and several junior ministers, all of which are British MPs.

The fall of Stormont is described by the constitutional nationalists as a "clear" acknowledgement by the British Government of the "failure of the arrangements"(the partition of 1920). Historian Clifford Smyth interpreted the imposition of direct rule as being where the British Government accepted "the Irish Nationalist analysis of the present situation."[38] Citing 1972 as a crucial year Smyth also contends that "the British and Irish Governments have been engaged in the task of uprooting the British reformed concept of democracy and supplanting it with the Irish Nationalist and continental concept of democracy."[39]

Smyth is referring to the many attempts of successive British Governments, Labour and Conservative, to solve the Northern Ireland dilemma by experiments in power sharing. This concept, as well as the Irish dimension, was the solution the SDLP advocated in "Towards A New Ireland". According to a paper by Mr. Simon Murphy of the Department of Political Science, University College of Wales, Aberystwyth, the concept of power-sharing did not originate with the British Government but rather with the major Fine Gael Party in the Republic of Ireland, which was accepted by the other major party Fianna Fail

[38] NIA, Committee, op cit, Vol. II, pg. 82.
[39] NIA, Committee, op cit Vol. II, pg. 79.

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(Gaelic for 'Soldiers of Destiny'), "and then pressure was applied so that the British Government accepted" it as the "way forward."[40] This power-sharing aspect was embodied in the Northern Ireland Constitution Act of 1973 which paved the way for the Sunningdale Agreement in 1974.

The 1973 Act provided for the election of a new Northern Ireland Assembly. In November of that year the Official Unionist leader Brian Faulkner along with the Alliance and SDLP leadership reached an agreement on a power-sharing executive. This arrangement, as well as other aspects including the Irish dimension concept, was formalized at a joint conference between the Irish and British Governments and the three parties held at the Sunningdale (Berkshire) Civil Service College. The political structure was to include a Council for Ireland consisting of a Council of Ministers made up of seven ministers from Westminster, Dublin and Stormont, this body would make decisions on certain matters. Balancing this would have been a legislative tier of members of the three parliaments.[41] Unlike the present Hillsborough Agreement, Sunningdale was more specific on political structures, but the proposed formal conference to sign the Agreement was never held due to its rejection by most Unionists which climaxed in the 14-day strike in May, 1974, witnessing the resignation of the executive's Unionist members and hence its collapse.

Also in 1974 the Heath Conservatives lost to Wilson's Labour Party and the new Secretary of State Merlyn Rees set about with a new initiative, the Constitutional Convention which would allow the parties within Ulster to work out any agreed structure save one of Unionist majority rule. Delegates for this were elected by Proportional Representation (PR-42) in May of 1975. The three Unionist parties (Official, Vanguard and Democratic) under the United Ulster Unionist Council umbrella ended up electing most delegates from the Protestant community while the SDLP ended up electing most delegates from the Catholic community. By March 1976 the Convention ended its proceedings without any progress.

In 1980 the one year old Conservative government of Margaret Thatcher initiated a round table conference (known as the "Atkins talks" after the then Secretary of State for Northern Ireland Humphrey

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[40] NIA, Committee, op cit Vol. II, pg. 82.

[41] W.D. Flackes, "Northern Ireland: A Political Directory", (London: Ariel Books/British Broadcasting Corporation, 1983), pg. 220-222.

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Atkins) of the Northern Ireland parties. Only the Official Unionists declined to participate. At first the British Government did not put forward any proposals as the three parties agreed to have devolved government but each party did not move an inch in their positions; the SDLP and Alliance demanded power-sharing while the Democratic Unionists stuck to an idea of majority rule with a high-profile role for the opposition parties. Eventually the British Government issued a white paper "Government of Northern Ireland: Proposals for Further Discussion" which suggested two options, a.) a power-sharing executive, and b.) a check and balance bicameral legislature. Again neither side could agree, the DUP found option one unacceptable while the SDLP scuppered option two.

As the Atkins talks broke down due to the on-going deadlock between the Northern Ireland parties, the Thatcher Government started on May 21, 1980 and December 8, 1980, a series of yearly summit meetings between the British and Irish Prime Ministers along with the relevant cabinet ministers. The first communique issued by Mrs. Thatcher and then Irish Prime Minister (called Taoiseach in Gaelic) Charles Haughey noted that the two heads of government were satisfied by "the useful exchanges...leading to new and closer co-operation" in many cross boarder matters.[42] More importantly in regards to Northern Ireland the two governments "commissioned joint studies covering a range of issues including possible new institutional structures" and other relevant concerns.[43]

It was at the next summit, in London, November 6, 1981, now with Garret Fitzgerald as Taoiseach, that the Anglo-Irish Inter-governmental Council, the proposal of the joint study groups, was formally launched. The joint communique of this summit referred to the new Council as an instrument to give "institutional expression" of the "relationship...between the two Governments".[44] The communique went on to read that the Council would "involve regular meetings between the two Governments at ministerial and official levels to

[42] With direct rule a new proportional representation system of voting was introduced for Northern Ireland's borough and district council and provincial assembly elections. Northern Ireland's particular system involves the Single Transferable Vote (STV), where officials are elected by obtaining vote quotas for their area, and voters have more than one votes in order of preferences. STV is explained in Rose's "Northern Ireland", pgs.76-79, 167-172.

[43] NIA, Committee, op cit, Vol. I, pg.12.

[44] NIA, Committee, op cit, Vol. I, pg.13.

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discuss matters of common concern..." and in the future "consider at an appropriate time whether there should be an Anglo-Irish body at parliamentary level comprising of members to be drawn from the British and Irish Parliaments, the European Parliament and any elected Assembly that may be established for Northern Ireland."[45]

At this stage the activities of the Anglo-Irish joint governmental bodies were not engaged in any direct governing function but the secrecy in the four years between the London and the Hillsborough summits were enough to rouse unionist suspicions. A report complied by elected officials of both unionist parties noted that a total of sixty meetings at ministerial level took place between the two governments in the period of November 6, 1981 to November 15, 1985, and the fact that after 1983 "no information has been given as to the subject matter of the meetings, and Her Majesty's Government has declined to answer repeated questions about meetings at official level."[46] The unionists can only conclude that "secrecy in this matter is not in the public interest and has contributed significantly to the general lack of confidence in the intentions of Her Majesty's Government which existed even prior to the Agreement of 15 November, 1985."[47]

In the 1981-1985 period there were events which temporarily hurt the relations between the British and Irish Governments, namely Dublin's refusal to support EEC sanctions against Argentina during the Falklands War. In late 1982, and against the protests from Dublin, then Secretary of State James Prior initiated a "rolling devolution" scheme, creating a new Northern Ireland Assembly with a.) powers to scrutinize the province's Westminster-run civil service and offer suggestions on the province's Orders in Council legislation, and b.) to be a possible body for more devolved government for the province. The Democratic Unionists welcomed the scheme as a fine chance to obtain devolution, but the Official Unionists were more skeptical in that it could become the parliamentary tier of an Anglo-Irish executive body. The Alliance were the most enthusiastic of the parties for the Prior proposals. While the SDLP ran candidates, they boycotted the Assembly's proceedings on the grounds that there was not enough in the proposals to ensure power-sharing and the Irish dimension. As of June, 1986, the Assembly was dissolved.

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[45] NIA, Committee, op cit, Vol. I, pg.15.
[46] NIA, Committee, op cit, Vol. I, pg.15.
[47] NIA, Committee, op cit, Vol. I, pg.15.

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From direct rule to the Hillsborough Agreement the British Government, either unilaterally or with the aid of the Irish Government, attempted one solution after another for Northern Ireland. Either consciously or unconsciously, London has based its Northern Ireland proposals on Irish Nationalist preconceptions of the problem, that the partition is the source. On one hand Northern Ireland is still a part of the United Kingdom, as long as the majority wishes it to be, but any permanent constitutional solution must involve acceptance by both communities for the burden of direct rule to end. Neither side can come to an agreement given the fact that unionists hold and have held to their traditional views about the necessity of the partition and of state sovereignty, and that the SDLP holds and has held to the nationalist view of the partition along with its internationalist "Irish dimension" proposals for remedy. Therefore the British Government resorted to joint actions with the Irish Government to remedy the impasse resulting with the Agreement. As well as the Anglo-Irish joint studies there was another process which aided in giving some basis for Hillsborough, and this stemmed from the findings and policy proposals of SDLP initiated New Ireland Forum.

IV. The New Ireland Forum

a.) The Participants and the Circumstances

During the year between the first two summits the PIRA and its allies launched a new campaign of violence centering around the demands of its prisoners in Long Kesh prison (also known as the 'Maze'). Convicted terrorists such as Bobby Sands and Francis Hughes went on hunger strikes demanding that they should be granted prisoner-of-war status.[48] The events surrounding the hunger strike brought the PIRA's political wing Sinn Fein into the forefront of Northern Ireland electoral politics.[49] The SDLP fearing the consequences of growing support for Sinn Fein's "bullets and ballots" campaign, turned to a new political program to maintain the initiative.

[48] NIA, Committee, op cit, Vol. I, pg.15.

[49] After direct rule the Stormont emergency laws were changed by the British Government with the advise of certain committees, chaired by Lord Justices. With the advice of the Gardiner Committee convicted terrorists were to be treated as ordinary criminals. Republican prisoners objected to this policy and demanded "Prisoner of War" status. In 1981 this involved the refusal to wear prison clothing and the hunger strikes. For details see Boyle and Hadden, op cit, pgs.66-71, and Flackes, op cit, pgs.304-319.

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In collaboration with the three major parties in the Republic of Ireland SDLP leader Hume launched the Forum for a New Ireland in Dublin on May 30th, 1983, culminating in its final report on May 2nd, 1984.

The Forum's reports constitute not only the policy of the SDLP but that of the Republic's government and opposition parties, which according to the final report's preface represented at the time "over ninety percent of the nationalist population and almost three-quarters of the entire population of Ireland."[50] The preface does however lament that the unionist parties chose not to participate, but it does note that submissions were heard from "people of all traditions who reject violence", this involved individuals not only from both parts of Ireland but also Britain, America, France, Belgium and Canada. As well as the final report, which summarizes the findings and proposed solutions, the Irish Government has also published Forum reports which analyze in detail different aspects of Ireland's problems, such as economics and legal systems.[51]

At the time of the Forum the Republic was governed by a coalition government of Dr. Garret Fitzgerald's Fine Gael Party and Dick Spring's Irish Labour Party. In opposition was Charles Haughey's Fianna Fail Party. As of the February 19, 1987 election Fianna Fail formed a minority government. Fine Gael is the descendant of the pro-partition nationalists, while Fianna Fail originated in the anti-partition faction of the 1920s. The differences between Fianna Fail and Fine Gael in socio-economic policies was described as "Tweedledum versus Tweedledee", by former Fianna Fail cabinet minister, Desmond O'Malley. Each party O'Malley noted propose and then oppose policies "irrespective of the intrinsic merits of most arguments."[52] Irish

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[50] Sinn Fein polled 3 percent of the total Northern Ireland vote in the 1973 Assembly election, and 2 percent in the 1975 convention election. This jumped first to 8 percent in the Westminster election in 1979, then to 10 percent in the Assembly election in 1982 and then to 13 percent in the Westminster election in 1983. From Boyle and Hadden, op cit, pg.73-74.

[51] New Ireland Forum, op cit, pg.3.

[52] The Forum for a New Ireland as well as preparing a final report prepared also the following detailed reports: "The Cost of Violence arising from the Northern Ireland Crisis since 1969"; "The Economic Consequences of the Division of Ireland since 1920"; and "A Comparative Description of the Economic Structure and Situation, North and South." The Forum also commissioned the DKM Economic Consultants to pre- pare "The Macroeconomic Consequences of Integrated Economic Policy, Planning and Co-ordination in Ireland", which was published separately. Also Professor C.K. Boyle and D.S. Greer were commissioned to prepare "The Legal Systems, North and South", which was also published separately. The final report also notes that studies on "the implications of integration in the agriculture, energy and transport sectors, prepared for the Forum, are being published separately."(pg.4).

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Governments irrespective of either the Fine Gael or Fianna Fail label have, according to a booklet published by O'Malley's new free enterprise party, the Progressive Democrats, increased the scale of government intervention in the economy which would "lead outsiders to believe that we were a socialist state."[53]

It should be noted that when Fine Gael has governed since the 1970s (1973-1977, 1981-1982, 1982-1987) it has done so in a coalition with the Irish Labour Party, which helped Fine Gael in acquiring a left-center image. In the recently defeated coalition Labour leader Dick Spring was Fitzgerald's Deputy Prime Minister (Tanaiste in Gaelic). The Irish Labour Party like the SDLP is a member of the Socialist International and the Confederation of Socialist Parties of the European Community. It gave support to the SDLP's 1972 proposals and since it has generally maintained close contacts with the northern party. Naturally the Irish Labourites supported the work of the Forum.

Alongside the left-wing interventionist domestic socio-economic policies Fine Gael-Labour coalition governments have implemented internationalist foreign policies. A recent Irish Department of Foreign Affairs "Fact Sheet" notes that "(the Republic of) Ireland has always taken a sympathetic interest in the movement towards European unity and was a founder member of the Council of Europe and the Organization for European Economic Cooperation..." and notes with pride that the Republic "participates in the formulation and implementation of the European Community's development co-operation policies and programmes." Moreover the "Fact Sheet" also notes that the Republic's foreign policy embraces an active role in the United Nations in supporting "self-determination for colonized countries", "efforts to reduce international tension...and arms limitation..."[54] It is this new internationalist strain in Irish "nationalism" which has formed the basis of some of the analysis and solutions in the Forum report.

b.) The Analysis and Solutions

The first two chapters in the Forum's final report merely introduce

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All are published by the Republic of Ireland Government's Stationary Office.

[53] From a public speech delivered by Mr. Desmond O'Malley TD (Member of the Dail) in Belfast on Saturday April 5th, 1986.

[54] "A New and Exciting option in Irish Politics: Progressive Democrats", (Dublin: Progressive Democrats, 1986), no page numbers given. See also the author's "Notes on the recent Irish election", "Reformed Perspective", Vol.6, No.7, May, 1987, pgs.7-9.

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the participants and set out the vague goal of developing "common ground"[55] between unionists and Irish "nationalists." The third chapter states the Irish "nationalist" view of what constitutes the origins of the problem, the partition of 1920, which the report refers to as a "failure of the British government to accept the democratically expressed wishes of the Irish people" and hence resulted in the "denial of the right of nationalists in the North to political expression of their Irish identity..."[56] In his unionist analysis of the Forum report lawyer Peter Smith considers the above analysis to render the report as an "unintellectual, not to say anti-intellectual document" amounting to "political propaganda."[57]

The report rebukes the British Government for only implementing "crisis management" policies (ie. emergency legislation, and consensus building) since 1972, which have only "deepened the sense of alienation of the nationalist population"; nor has London, according to the report, yet given "official recognition of their (the Catholic community's) identity nor acceptance of their aspirations."[58] Furthermore the present-day "structures of Northern Ireland are such that nationalists are still discriminated against in social, economic, cultural and political terms. Their representation and influence in the private and public structures of power remain very restricted."[59] With this perceived dilemma of the Catholic nationalist community the report comes to this conclusion as to the nature of any settlement:

> Their day-to-day experience reinforces nationalist convictions that justice and effective exercise of their rights can only come from a solution which transcends the context of Northern Ireland and which provides institutions with which they can identify.[60]

According to a Young Unionist discussion paper the demands of the constitutional nationalists are that such "the protection of fundamental human rights is inseparable from a political solution which would place

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[55] "Ireland: Department of Foreign Affairs (Fact Sheet 5/81)", (Dublin: Department of Foreign Affairs, 1981), no page numbers given.

[56] New Ireland Forum, op cit, pg.7.

[57] New Ireland Forum, op cit, pg.9.

[58] Peter Smith, "Opportunity Lost: A Unionist View of the Report of the Forum for a New Ireland", (Belfast: Ulster Unionist Council, 1984), pg. 9.

[59] New Ireland Forum, op cit, pg.14.

[60] New Ireland Forum, op cit, pg.14.

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Northern Ireland outside the United Kingdom."[61]

Chapter 5 of the Forum report contains a summary of what the constitutional nationalists perceive as the realities of the problem followed by lofty, but vague, general principles of "necessary elements of a framework within which a new Ireland could emerge..."[62] Both unionists and Catholic Irish nationalists "must have" equal "satisfactory, secure and durable, political, administrative and symbolic expression and protection" which is to be achieved by new "structures and institutions including security structures with which both nationalists and unionists can identify on the basis of political consensus."[63] To attain an Ireland as such the Forum put forward three options; a.) a unitary Irish state, an option which the report stated as being the one which "the Forum would wish to see established..."[64]; b.) a federal/confederal Ireland; and, c.) joint British/Irish authority over Northern Ireland.

"A unitary state", according to the report,"would embrace the island of Ireland governed as a single unit under one government and one parliament elected by all the people of the island."[65] Essentially this has been the goal of Irish Nationalism for decades if not centuries. Unlike some past Catholic nationalists who would have excluded the Protestant Unionists from the label "Irishmen" the Forum report makes it clear that a unitary state "would require a general and more explicit acknowledgement of a broader and more comprehensive Irish identity" and which would ensure that the "rights of all citizens would be guaranteed in the constitution."[66] Furthermore the report also states that "reinforcing guarantees would incorporate in the constitution the clauses of the European Convention on Human Rights with a right of access to the European Court of Human Rights."[67]

The second option was an Ireland united in a federal or confederal arrangement. This scheme would grant Northern Ireland the status of an autonomous state within a united Ireland, either as a federation,

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[61] New Ireland Forum, op cit, pg.14.

[62] Ulster Young Unionist Council, "Discussion Paper 1. Equality and Opportunity in Northern Ireland", (Belfast: Ulster Young Unionist Council, May, 1986), no page numbers given.

[63] New Ireland Forum, op cit, pg. 26.

[64] New Ireland Forum, op cit, pg.27.

[65] New Ireland Forum, op cit, pg.29.

[66] New Ireland Forum, op cit, pg. 31.

[67] New Ireland Forum, op cit, pg.31.

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where "residual power would rest with the central government", or as a confederation where "the two states (Northern and southern Ireland)...would delegate certain specified powers to a confederal government."[68]

The third option of "joint authority" was a plan advocating "shared rule" and "equal responsibility" for the London and Dublin governments over "all aspects of the government of Northern Ireland."[69] Although London and Dublin could exercise the day-to-day handling of Ulster affairs the report allows for "provision for the exercise of major powers by a locally elected Assembly and Executive."[70] No specific details are given in the final report as to the structures of joint authority but under such an arrangement there would be "political, symbolic and administrative expression of their identity to Northern Catholic nationalists without infringing the parallel wish of unionists to maintain and to have full operational expression of their identity."[71] The report also calls for "formal recognition and symbolic expression" of the two identities, a "non-denominational Bill of Rights" and the "overall level of public expenditure would be determined by the two Governments."[72]

Details on the structures of how joint authority would operate are found in a report of a Sub-Committee of the Forum. Under the heading "Formal Establishment and Legal Basis" the sub-committee notes that a "binding enforceable agreement or...a formal treaty...registered with the United Nations"[73] should be the basis at which a joint Anglo-Irish executive for Northern Ireland would operate. Furthermore this would also require enabling legislation from both governments. The executive would exercise its powers and responsibilities for "an unlimited period" unless by agreement the two power decide to transfer power to a local assembly, which would operate on terms acceptable to both unionists and Catholic Irish nationalists. The executive (termed "Joint Authority Commission" by the report) would be jointly-chaired by two commissioners each appointed by the two governments. A joint Anglo-Irish civil service secretariat would serve in the administrative role and an Anglo-Irish

[68] New Ireland Forum, op cit, pg.31.
[69] New Ireland Forum, op cit, pg.34.
[70] New Ireland Forum, op cit, pg. 37.
[71] New Ireland Forum, op cit, pg.37.
[72] New Ireland Forum, op cit, pg. 37.
[73] New Ireland Forum, op cit, pg. 37.

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parliamentary body would be the legislative check on the commission. The report covers other matters such as security and citizenship rights as well as the "symbolic issues." Unlike the other two options joint authority would require a new judicial body, "a Constitutional Court...in order to interpret and enforce the Treaty or Binding Agreement...and to carry out the function of judicial review."[74] Also the Joint Authority Commission would be "responsible for "implementation of all EEC acts or other international regulations" as they relate to Northern Ireland, and furthermore the two chief commissioners along with the Foreign Ministers of both powers would constitute a "special EEC Affairs Committee...[to] review EEC matters relating to Northern Ireland and agree how Northern Ireland's best interest would be represented at any particular meeting or vote."[75]

In summary all of the Forum's three options in one way or another reflect the new internationalist outlook which Irish Nationalists acquired since the 1960s. The unitary and federal/confederal state plans both contain a Bill of Rights as well as guarantees from the supranational European Court of Human Rights. The joint authority option calls for the creation of new British/Irish institutions which in turn are to work within the framework of the European Community. The perception of the partition differs little from the old nationalism but the means of solving the problem are, to quote English socialist political analyst Bernard Crick "more humane and realistic...than the mysticism of Sinn Fein's 'One island one Ireland'..."[76] Crick further praised the recommendations of the Forum in that "sovereignty can be limited, alienated or shared. History is full of examples."[77]

Unlike past Catholic nationalists who defined Irishness as distinctly Gaelic and Catholic, the Forum according to Peter Smith's unionist analysis, "evaded difficulties in defining the Irish nation" causing the Forum to ignore "the reality that unionists are firmly convinced that they are part of a nation (ie, the British nation) separate from the Irish nation."[78] Unionists are recognized as a distinct "tradition" on the island and the Forum even lamented that since 1920 the Irish state has been without a unionist ethos, but a new Irish state

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[74] Quoted in NIA, Committee, op cit, Vol. I, pg. 133.
[75] Quoted in NIA, Committee, op cit, Vol. I, pg. 134.
[76] Quoted in NIA, Committee, op cit, Vol. I, pg. 137.
[77] Bernard Crick, "'Troops Out' is no Policy", "The New Statesman", September 20, 1985, pg. 12.
[78] Crick, op cit, pg. 12.

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would "accommodate all the fundamental elements in both traditions."[79] Though the latter point is considered to be "absurd" Smith does acknowledge that the Forum report "may reveal a higher degree of understanding the unionist position than Irish nationalists have cared to reveal in the past."[80] Nonetheless Smith concludes that in fully understanding unionism "it (the Forum report) still remains woefully inadequate" since the Forum "completely omits any reference whatsoever to unionism's central plank: that the territory of Northern Ireland should remain united with Great Britain."[81]

c.) The Forum and the Agreement

Peter Smith refers to the Agreement as "the child of the Forum" which is "made crystal clear in the Preamble – and indeed, throughout the Agreement – by repetition of phrases and passages taken from the Forum report."[82] In particular Smith regards terms such as "the two major traditions that exist in Ireland..." as perhaps "the clearest sign of the British government's adoption of the Forum..."[83] British Prime Minister Thatcher initially rejected the Forum report in her "that is out" remarks to then Irish Prime Minister Fitzgerald at their summit meeting in November 1984. Nonetheless the subsequent joint communique committed the two Governments to "a close and continuing dialogue...[within] the framework of the Anglo-Irish Intergovernmental Council" aimed at fostering respect and recognition of "the identities of both the majority and the minority communities in Northern Ireland" and that this "should be...reflected in structures and processes of Northern Ireland in ways acceptable to both communities..."[84] Thus despite its initial rejection of the Forum report the British Government continued secret negotiations concerning Northern Ireland's government structures with the Forum-committed Dublin government.

The SDLP while supporting the Agreement does "not believe that a final settlement of the Irish problem has been reached", meaning that it does not completely embody the solutions as set forth in the Forum report. In this statement, which immediately followed the

[79] Peter Smith, "Opportunity Lost", pg. 9.
[80] New Ireland Forum, op cit, pg. 28.
[81] Peter Smith, "Opportunity Lost", pg. 14.
[82] Peter Smith, "Opportunity Lost", pg. 14.
[83] Peter Smith, "Why Unionists", pg. 7.
[84] Peter Smith, "Why Unionists", pg.7.

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Hillsborough summit, John Hume went on to comment that "We (the SDLP) do believe that an opportunity has been created by the Agreement in the setting up of a permanent Anglo-Irish institution to make progress towards our goals of peace and reconciliation."[85] This in turn is consistent with the demands of the Forum report which notes that the "Constitutional nationalists fully accept that they alone could not determine the structures of Irish unity and that it is essential to have unionist agreement and participation in devising such structures and in formulating the guarantees they required."[86] The unionists, whether they like it or not, must accept some form of Irish unity, but according to the Catholic political leaders, in order for proper negotiations between the two groups it "would be for the British and Irish governments to create the framework and atmosphere within which such negotiations could take place."[87] The Agreement is perceived as being such a framework.

During the negotiations the British Government sought the advice from two professors of law, Kevin Boyle of University College Galway and Tom Hadden of Queens University (Belfast); both are from Northern Ireland, the latter Protestant and the former Catholic. Boyle was once a leader in the radical People's Democracy, which had included Bernadette Devlin and Michael Farrell as well. Hadden considers himself a "small-u unionist." Since the late sixties/early seventies Hadden and Boyle have produced joint studies primarily on the legal aspects of Northern Ireland affairs and were key legal consultants to the New Ireland Forum. Both individuals support the Anglo-Irish Agreement, although Prof. Hadden has expressed reservation to some sections and has urged unionists to demand changes within the framework of accepting the Agreement.

In 1985 Hadden and Boyle produced their own study, "Ireland: A Positive Proposal", a short work containing both a synopsis of the many factors of Northern Ireland's impasse and suggestions for an eventual solution. Professors Boyle and Hadden stress the need for an Anglo-Irish treaty to give equal legal recognition to both communities; the Republic should accept "the legitimacy of Northern Ireland" and Britain should acknowledge "of the existence of an Irish community

[85] "Ireland Today" (Bulletin of the Department of Foreign Affairs), pg.16.
[86] New Ireland Forum, op cit, pg.30.
[87] New Ireland Forum, op cit, pg.30.

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within Northern Ireland..."[88] This in turn would, according to the two professors, allow the British and Irish Governments to create "new formal structures for co-operation between Northern Ireland and the Republic", which "might include the exercise of joint authority on specified matters on either side of the border on a reciprocal basis" but they also stipulate that such an arrangement would have to avoid "some of the objections to the proposals in the Forum report...for the imposition of joint authority by Britain and Ireland on all aspects of the government of Northern Ireland."[89] "Ireland: A Positive Proposal" contains further suggestions on the new formal structures in areas such as security and the administration of justice.

Hadden's and Boyle's solution appears to stop short of the Forum's call for joint authority but it does call on the British Government to formally involve the Republic of Ireland in some role in the governing of Northern Ireland. Both authors admit that their proposals involve a departure from notions of a state possessing exclusive jurisdiction over a given territory. "For more than a hundred years the Irish problem has defeated all those who have sought a solution based on the old concepts of nationalism and exclusive state sovereignty",[90] the authors conclude. Furthermore Hadden and Boyle advocate that the joint Anglo-Irish intergovernmental institutions are also to be within the context of the "commitments and responsibilities under the Charter of the United Nations" and "within the European Communities..."[91] Essentially many of the Anglo-Irish Agreement's advocates argue that any solution for Northern Ireland must go beyond traditional notions of the national sovereignty.

V. Unionist Opposition

While the Catholic activist leaders are outwardly confident that both traditions can heal their wounds in a Northern Ireland in which the Union Jack and the Irish Tricolour fly in equal status, the unionists most clearly are not. They see the Agreement as a one-way street against their interests. In a report compiled by unionist members of the Northern Ireland Assembly, the Agreement is portrayed as an example of the Social Democratic Labour Party "being rewarded by the

[88] Boyle and Hadden, op cit, pg.49.
[89] Boyle and Hadden, op cit, pg.49.
[90] Boyle and Hadden, op cit, pg. 110.
[91] NIA, Committee, op cit, Vol. I, pg.22-23.

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creation of new institutions which operate outside Northern Ireland and appear to supersede it as a unit."[92] Many outside observers have portrayed unionist opposition as nothing more than the reaction of "bigots," as *The Economist* editorialized.[93] Actually unionist objections are more rational than their critics admit. Their opposition to the accord stems not just from a perception of it as a gradual transition move toward their incorporation in a united Republic of Ireland but from their protest that the Agreement represents a clear breach of Northern Ireland's sovereign position within the United Kingdom and the rights of its citizens as British nationals.

The unionist case against the Hillsborough agreement has been intelligently set forth in two studies; first, the three volume report of the Northern Ireland Assembly's Committee on the Government of Northern Ireland, issued January 29, 1986. This committee included leading unionists of both parties such as the leaders James Molyneaux and Ian Paisley; second is the short and concise booklet "Why Unionists Say No" by Official Unionist lawyer Peter Smith. There is tremendous detail, much of it of a parochial nature, in Unionist anti-Agreement studies, but this study will concern itself with the following areas: a.) the Agreement's secret diplomacy, b.) the status of Northern Ireland, c.) the Anglo-Irish Intergovernmental Conference, and d.) the Agreement's Enforceability in International Law. In each area unionists place paramount concern about British sovereignty.

a.) The Secret Diplomacy

This study has already cited the Committee's objections regarding the secret meetings between the British and Irish Governments since the formation of the Anglo-Irish Intergovernmental Council, which led up to the signing of the Agreement at Hillsborough. To Smith such actions "illustrate the British government's contempt for the Northern Irish majority..."[94] Secretary of State for Northern Ireland, Tom King told, the British House of Commons that "we were not able to take the people in Northern Ireland into full consultation before the Agreement was reached in the way that we would normally wish."[95] The Committee Report finds Mr. King's explanation "unsatisfactory for a number

[92] "The Economist", November 22, 1985, pg. 15.
[93] Peter Smith, "Why Unionists", pg. 5.
[94] NIA, Committee, op cit, Vol. I, pg. 24.
[95] NIA, Committee, op cit, Vol. I, pg. 24.

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of reasons."[96] First the unionist committee notes that the two governments did leak to the press starting in January, 1985, information which would suggest such an agreement.

Moreover the unionists object mostly to fact that while they were kept in the dark "the need for confidentiality did not prevent the Government of the Republic of Ireland consulting frequently with the SDLP. Indeed the SDLP went out of their way to make it known that they were privy to the negotiations."[97] W.D. Flackes in the pro-Conservative "Sunday Telegraph" noted that Mrs. Thatcher "could have put a better gloss on the new Anglo-Irish Accord," by including Official Unionist leader Molyneaux "in the picture on the protracted negotiations, as the Dublin government did with John Hume, leader of the SDLP..."[98]

The Committee report also alleged that there "is reason to believe that consultations also occurred with the United States Government, the European Commission and most European governments."[99] Consultations with the Americans[100] has caused some unionists, Enoch Powell most notably, to believe that the Agreement came about as the result of pressure from Washington. Also the Committee took note of the fact that the even the Vatican was briefed on the progress of the Anglo-Irish talks.[101] Therefore the Committee found that it could not "accept that Her Majesty's Government's failure to consult those who were to be directly affected by the Agreement was caused by a need for confidentiality."[102] The Committee's report, in quoting some of its witnesses finds that "...the manner in which the Anglo-Irish talks were conducted has contributed greatly to political instability in Northern Ireland."[103]

b.) The "Status" of Northern Ireland

It has been previously noted that much of the distrust unionists have for the intentions of the Republic of Ireland stems from its 1937 Constitution, in that Northern Ireland's sovereign position in the

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[96] "The Sunday Telegraph", Dec.1, 1985, pg.19.
[97] NIA, Committee, op cit, Vol. I, pg.25.
[98] NIA, Committee, op cit, Vol. I, pg.25.
[99] NIA, Committee, op cit, Vol. I, pg.25.
[100] NIA, Committee, op cit, Vol. I, pg.26.
[101] NIA, Committee, op cit, Vol. I, pg.26.
[102] NIA, Committee, op cit, Vol. I, pg.26.
[103] Peter Smith, "Why Unionists", pg.4.

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United Kingdom is not recognized. Peter Smith in "Why Unionists Say No" writes that "The unionists of Northern Ireland see the Republic as constantly pressing the goal of Irish unity, attempting at every opportunity to undermine unionism...", nor is the Republic "regarded as a friendly neighbor...being "seen as sharing the same objective as republican terrorism: Irish unity."[104] Should there be any treaty between London and Dublin unionists would demand a recognition of the border on the part of Dublin.

In selling the Agreement to the unionists Mrs. Thatcher said in the House of Commons that Article 1 of the Agreement "was the best guarantee from the Republic that the people of Northern Ireland ever had" and that it "is the first time that we have had a recognition...[of Northern Ireland as part of the United Kingdom] in writing from the Republic of Ireland..." and furthermore it "is the first time in a formal international agreement that the Republic has recognized this position in Northern Ireland..."[105]

Both "Why Unionists Say No" and the Committee report are not impressed with Mrs. Thatcher's claims. "It (Article 1) merely restates the substance of the 1973 Sunningdale British/Irish communique," according to Smith, "which was subsequently held by the Republic's Supreme Court not to confer de jure recognition of the status of the Province."[106] The Committee report finds that the "quotations from the various (summit) communiques show clearly Article (1a) goes no further than earlier statements by the Government of the Republic of Ireland. Article (1a) is virtually identical to the declaration...[the Republic's] in the Sunningdale agreement...The Boland [Irish Supreme Court case in 1974] case shows it is beyond the competence of any Irish Government to recognize Northern Ireland in any meaningful way."[107] Therefore the Committee concluded that:

> Articles 1(a) and (b) are merely a statement of the factual position and of the current professed intentions of the two Governments. The Article does not accord recognition to Northern Ireland and those who claim that it does, or that it is in some way an advance, are either ignorant of the history of the question or are misrepresenting the position.[108]

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[104] NIA, Committee, op cit, Vol. I, pg.39-40.
[105] Peter Smith, "Why Unionists", pg.11.
[106] NIA, Committee, op cit, Vol. I, pg.40.
[107] NIA, Committee, op cit, Vol. I, pg.40.
[108] NIA, Committee, op cit, Vol. II, pg.139

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Essentially unionists do not regard Article 1 of the Agreement to be any guarantee of Ulster's sovereign position. Mr. J. Finney, a Northern Ireland civil servant who resigned over the Agreement, said before the Committee that the "omission in the first article to describe Northern Ireland as part of the United Kingdom was deliberate..."[109]

Peter Smith particularly finds that Article 1 "clearly betrays the British Government's failure to safeguard the unionist position" since no demand is extracted from the Republic to repeal Articles 2 and 3 of its constitution and since the British Government "did not even bother to extract an explicit undertaking that the Agreement's machinery would not be used to further the Republic's claim to absorb Northern Ireland into its territory."[110] The particular wording of Article 1(c), according to Smith appears to indicate that "two governments have now formally agreed that Northern Ireland can only move in one direction – into a united Ireland" and that the said article denies the option of independence "to the people of the Province no matter how overwhelming the majority in favor of it might be."[111]

The Committee report further mentioned a difference in detail between Article 1(a) and earlier declarations. The 1980, 1981 and 1984 summit communiques refer to changes in "constitutional status" while the 1985 Agreement, like the Sunningdale communique, refers to "'status' without qualification."[112] The Committee report in quoting two British MPs finds that it can be argued that the Agreement itself is a change in the province's status. Stuart Bell of the Labour Party told the Committee that "there is certainly a change in the status of the people who live here (in the United Kingdom)", and Ian Gow of the Conservative Party told the Committee that "using language normally, I would think that there has been a change in the status (of Northern Ireland)."[113] Considering the change in the province's "status" brought by the Agreement the Committee report finds that since the Article 1 stipulates that "any change" in status must come from the wishes of the majority "it would call into question the 1985 Agreement itself."[114] Since the British and Irish Governments never sought the consent of the people of Northern Ireland the report comes to "the

[109] Peter Smith, "Why Unionists", pg.11.
[110] Peter Smith, "Why Unionists", pg.11.
[111] NIA, Committee, op cit, Vol. I, pg.42.
[112] NIA, Committee, op cit, Vol. I, pg.42.
[113] NIA, Committee, op cit, Vol. I, pg.42.
[114] NIA, Committee, op cit, Vol. I, pg.42.

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conclusion either that the declaration in Article 1(a) is not sincere, or that it has some meaning different from that conveyed by ordinary meaning of the words used."[115]

The Committee concluded its section on the question of status with an excerpt of an article from Claire Palley, Principal, of St. Anne's College, Oxford, in that Article 1 is only "a reaffirmation by the Irish Government of the status of Northern Ireland in accordance with the Irish Constitution" and that "the Agreement puts unionists on notice that reunification [sic] of Ireland will inevitably be enacted on an as yet undetermined date."[116]

c.) The Anglo-Irish Intergovernmental Conference

Even if the Irish Government were to have clearly recognized Northern Ireland as part of the United Kingdom unionists would still object to the sections dealing with the new Anglo-Irish Intergovernmental Conference. This new structure created by the Agreement, a body which is co-chaired by the British Secretary of State for Northern Ireland and a designated cabinet Minister from the Irish Republic and made up of other ministers and civil servants from London and Dublin, is perceived by unionists as a major breech on the important questions of sovereignty. Prime Minister Thatcher has one hand assured unionists in the House of Commons that the Conference is purely consultive and that it "will have no executive authority either now or in the future..."[117] Yet, then Irish Prime Minister Fitzgerald, had a different interpretation about the nature of the Conference in that it went "beyond a consultative role but necessarily because of the sovereignty issue, falling short of an executive role..."[118] Furthermore briefing notes of the major parties in the Republic state: "It (the Conference) is not merely consultative."[119] "Why Unionists Say No" quotes then Irish Justice Minister Michael Noonan as describing the sections dealing with the Conference as giving the Republic "a major and substantial role in the day-to-day running of Northern Ireland."[120]

Like the sub-articles on Northern Ireland's "status" the Assembly

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[115] NIA, Committee, op cit, Vol. I, pg.43.
[116] NIA, Committee, op cit, Vol. I, pg.44.
[117] NIA, Committee, op cit, Vol. I, pg.44.
[118] NIA, Committee, op cit, Vol. I, pg.44.
[119] NIA, Committee, op cit, Vol. I, pg.44.
[120] NIA, Committee, op cit, Vol. I, pg.44.

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Committee members attempted to "look at the precise terms of the Agreement", in regards to the role of the Conference, "rather than the interpretation that others may put upon the Agreement."[121] Yet the report also notes the "difficulty about this approach...[because] the Agreement fails to define its terms properly so that the meaning is, in some places, obscure and elusive."[122] After all, as the Committee made record of in its public sessions "the Agreement is not drafted as a legal document, rather it is more of a political statement", but "some points can be made with regard to the text."[123]

The Committee concedes that use of words like putting forward "views and proposals", issues being "discussed", and "considered" within the Conference's field of activity (found in Articles 2(b), 6, 3, 5 and 7 respectively) would support the notion that the Agreement only gives the Irish Government consultive powers. On the other hand the Committee is wary of the provision as to why the Intergovernmental Conference (Article 2(a)) exists. The said article states that its purpose is "to deal...on a regular basis with...", and the report finds that the word "'deal' connotes something more than consultation."[124] The phrase "field of activity" in Article 2(b) gives the Committee the conclusion "that positive action will result from the Intergovernmental Conference's deliberations. These terms support the view that the Conference will be a decision-taking body."[125] Other provisions such as in Article 8 that the "Conference shall deal.. with issues...relating to the enforcement of the criminal law" or Article 5's statement on the Conference concerning "itself with measures..." do, according to the Committee report, "reinforce the view that the Conference could have an executive character."[126]

The Committee especially finds that the provision in Article 2(b) in that the British Government accepts "that the Irish Government will put forward views and proposals on matters relating to Northern Ireland (that is suggestions for legislation) within the field of activity of the Conference..." and that "determined efforts shall be made through the Conference to resolve any differences" appears to indicate "the

[121] NIA, Committee, op cit, Vol. I, pg.44.
[122] NIA, Committee, op cit, Vol. I, pg.44.
[123] NIA, Committee, op cit, Vol. I, pg.44-45.
[124] NIA, Committee, op cit, Vol. I, pg.45.
[125] NIA, Committee, op cit, Vol. I, pg.45.
[126] NIA, Committee, op cit, Vol. I, pg.46.

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development of an executive character...",[127] a form of joint authority. On one hand Professor Kevin Boyle told the Committee that the "determined efforts" provision only binds the British Government to "an obligation to have dialogue in good faith."[128] The Committee report in quoting the then Irish Prime Minister, however, finds that the implications of the determined efforts clause goes further than Prof. Boyle's assertions. Dr. Fitzgerald is quoted as having said in a television interview that:

> The consequences of failure to reach agreement on major issues or even on small issues would obviously be very serious, something that no British or Irish Government would lightly contemplate.[129]

From Fitzgerald's remarks about the necessity of agreement between London and Dublin the report finds that the "determined efforts" provision goes "to the heart of the Agreement."[130] The Secretary of State for Northern Ireland must, according to a scenario in the Committee report:

> ...when he meets his southern counterpart [and]...finds himself in disagreement with him... he must sort the matter out inside the Conference if reasonably possible, and if the difference is resolved then in effect, if not in form, the decision is made there and then and subsequently implemented through the more usual channels. It is the opinion of the Committee that circumstances when the parties are unable to resolve their differences after determined efforts have been made will be rare, and that decisions will from time to time be made within the Conference. Consequently it is unrealistic to say that the Conference is not executive: it will be, on the occasions when it agrees, as executive as the Cabinet. If it fails to agree in a significant number of cases then there will be a crisis in relations between the United Kingdom and the Republic of Ireland and the Agreement will break down.[131]

Smith in "Why Unionists Say No" further contends that the "determined efforts" clause is "an obligation on the British to attempt compromise..."[132] In other words the unionists find that according to

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[127] NIA, Committee, op cit, Vol. III, pg.48.
[128] NIA, Committee, op cit, Vol. I, pg.46.
[129] NIA, Committee, op cit, Vol. I, pg.46.
[130] NIA, Committee, op cit, Vol. I, pg.46.
[131] Peter Smith, "Why Unionists", pg.13.
[132] NIA, Committee, op cit, Vol. I, pg.45.

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the terms of the Agreement, within the Intergovernmental Conference, the British Government will have to formulate decisions and implement policy with the Irish Government's concerns in mind.

When considering an "executive character" the report considers that "it is important to remember that the Intergovernmental Conference will not itself implement its decisions" because of its small secretariat, but this "does not mean it is not executive in character..." for if it makes the day-to-day decisions about Northern Ireland affairs "the fact that others implement those decisions does not deprive it of an executive character."[133] From the stated intentions of the two governments, and the wording of the Agreement sections on the Conference the report concludes that:

> ...if the Conference continues to exist then the proper inference is that it is acting as an executive for most of the time on the matters referred to it. This institution is unique: it is not formally a condominium or joint sovereignty agreement, it does not have, as yet, the external trappings of a joint authority. But the Committee is of the opinion that it is a joint authority in embryo. If it develops and establishes its own procedures and precedents, then within its 'field of activity' and in accordance with its precedents it will become the effective government of Northern Ireland.[134]

Therefore unionist wariness of the existence of the Anglo-Irish Intergovernmental Conference is that this new body could become the source of decision-making for the province, and a source which involves the hostile Republic of Ireland.

The Committee report carries sections on the fact that locally elected officials will have little or no input into the Conference's proceedings. Also included in the report are sections dealing in detail how specific areas of government policy will be affected by the intention of the British authorities to come to agreement with Dublin. At heart the unionists consider that the provisions establishing the Conference undermine Northern Ireland's sovereign position in the United Kingdom.

The report quotes "The Oxford Companion to Law" that sovereignty means that "a state must be able to exercise jurisdiction over a determinate tract of territory and the inhabitants therein and have

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[133] NIA, Committee, op cit, Vol. I, pg.47.
[134] NIA, Committee, op cit, Vol. I, pg.51.

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legally independent powers of government...the corollaries of sovereignty...are exclusive jurisdiction over their several territories, a duty of non-intervention in the area of exclusive jurisdiction of other states..."[135] From this definition the Committee report finds that even if the Agreement only grants Dublin the right of consultation it is "even at that level, an encroachment upon British sovereignty" and since unionists believe that the Agreement "opens the way for a camouflaged exercise of executive powers" the Agreement involves a "deeper.. encroachment upon the exercise of British sovereignty in Northern Ireland."[136]

Most unionists do not regard the question of sovereignty as an"arid academic matter" since "it goes to the heart of government and goes to the heart of people's perception of itself."[137] When Professors Hadden and Boyle appeared before the Committee Prof. Hadden mentioned that the Agreement's aims were "a different concept to cope with within a 19th-century view of sovereignty" and furthermore said that such a view of sovereignty was inappropriate for "two countries which have already conceded some of their sovereignty within the European Community" and "inappropriate...to hang on [to] desperately..when there is a prospect of moving forward to a more sensible recognition of the realities."[138] James Allister, a Democratic Unionist Assemblyman who like Professors Hadden and Boyle is a lawyer, then replied that "I do not accept the slur about 19th-century concepts of sovereignty."[139]

The provisions of the Agreement in regards to the Anglo-Irish Intergovernmental Conference are from the unionist viewpoint, to quote Roy Mason, a Labour MP and a former Secretary of State for Northern Ireland, "a frightening and sweeping intrusion by the south in Northern Ireland's affairs."[140] Another Labour MP, Stuart Bell, has told the unionists that if they wish to "take the Dublin Government off their backs...the way to do that is through devolution and through power sharing (with the northern nationalists)"[141] But the unionists note that any devolution would mean according to the Agreement

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[135] NIA, Committee, op cit, Vol. I, pg.52.
[136] NIA, Committee, op cit, Vol. I, pg.53.
[137] NIA, Committee, op cit, Vol. III, pg.46.
[138] NIA, Committee, op cit, Vol. III, pg.46.
[139] NIA, Committee, op cit, Vol. I, pg.53.
[140] NIA, Committee, op cit, Vol. III, pg.7.
[141] NIA, Committee, op cit, Vol. I, pg.52.

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"widespread acceptance throughout the community", which given the differences between the unionists and the SDLP would not likely occur. Therefore as long as the Agreement and the Conference exist the unionists in Northern Ireland, from their traditional ideas of state sovereignty, find "a clear invasion of British sovereignty...and... [hence] regards the contrary argument of Her Majesty's Government to be misconstrued and misleading."[142]

d.) Enforceability of the Agreement in International Law

The fact that the Anglo-Irish Agreement constitutes a treaty in international law, binding on the Irish and British Governments, the Committee report posed the question that "on the strength of a similar declaration by the Government of the Republic of Ireland, it may enforce the Agreement in the International Court [of Justice at the Hague] without seeking any consent from Her Majesty's Government prior to such action."[143]

At present Britain recognizes the authority of the International Court under Article 36 of the 1920 Statute of the Permanent Court of International Justice and would thus be bound to accept its ruling over any question concerning the Agreement unless the British Government "withdrew its declaration as the United States Government did in connection with a case brought against it by Nicaragua."(143) The Committee doubts that such an action is "a practical option in view of the 'unique' relationship that exists between Her Majesty's Government and the Republic of Ireland in the context of the European Community..."[144] Therefore the Committee expressed the concern that if the Republic contended that the British Government was not acting in good faith in regards to the Agreement then the Republic "may be in a position to enforce the obligations created by the Agreement in an international forum."[145] In other words Northern Ireland could have its internal affairs arbitrated by a supranational body.

The Committee further "considers the enforceability of the Agreement in international law to be a matter of considerable importance" in view of the opinions of Dean J.F. O'Connor of University College Cork in that the Agreement "creates a new status for 'the province of

[142] NIA, Committee, op cit, Vol. I, pg.52.
[143] NIA, Committee, op cit, Vol. I, pg.30.
[144] NIA, Committee, op cit, Vol. I, pg.30.
[145] NIA, Committee, op cit, Vol. I, pg.30.

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Ulster' which is unique in international law."[146] It is O'Connor's further opinion that with the new status the province "has become subject to the legal right of two sovereign Governments to determine how all matters which go to the heart of sovereignty in that area shall in future be determined,"[147] With possible international arbitration in the future O'Connor points out that "international tribunals have in numerous cases decided whether or not a party has 'negotiated in good faith' or 'made determined efforts' to reach agreement even if, in the end, negotiations in good faith or determined efforts did not succeed."[148] Therefore unionists are wary of what could come out of any binding arbitration over the terms of the Agreement by an international body and no doubt see this as a further undermining of the province's sovereign position in the United Kingdom.

Should any International Court (or tribunal) rule in the Republic's favor the British Government would not be, according to both "Why Unionists Say No" and the Committee Report, in the position to unilaterally withdraw from the Agreement. In noting that the Agreement is registered with the Secretariat of the United Nations under Article 102 of the UN Charter Smith writes that any British attempt at "unilateral repudiation" would mean that "it would be open to the Republic's government to seek to enforce the Agreement by bringing the United Kingdom before the International Court with all the concomitant embarrassment for Britain at the bar of world opinion that this would entail."[149]

Nor does the Agreement contain any provision for review of the Agreement itself. The Committee report notes that Article 11 only provides for review of the Intergovernmental Conference nor does the language of the article "easily lead to the conclusion that the existence" of the said body "may be called into question."[150] "...the Agreement contains no machinery by which it can be terminated and the Anglo-Irish Conference wound up", therefore Smith laments that the "Agreement is forever."[151]

The unionists do find two legal arguments to restore their province's sovereign position in the United Kingdom. Firstly the

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[146] NIA, Committee, op cit, Vol. I, pg.30-31.
[147] NIA, Committee, op cit, Vol. I, pg.31.
[148] NIA, Committee, op cit, Vol. I, pg.31.
[149] Peter Smith, "Why Unionists", pg.25.
[150] NIA, Committee, op cit, Vol. I, pg.31.
[151] Peter Smith, "Why Unionists", pg.25.

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Committee report notes that self-determination "appears today to be recognized as a peremptory norm of international law...and as the Committee is firmly of the opinion that the people of Northern Ireland have a right self-determination...then it would appear to the Committee that if the two Governments were to properly apply this provision of the Vienna Convention, then they should forthwith withdraw from the Agreement."[152] "Why Unionists Say No" considers the fact that as a treaty with no enabling legislation which "has not been executed by the Sovereign" it "remains nothing more than government policy which every citizen has a perfect right to oppose if he pleases (provided of course, that he keeps within the law)."[153]

VII. Conclusions

Many outside observers on the Irish question are quick to invoke the ghosts of the island's past but the battle lines which have been drawn around the Anglo-Irish Agreement are deeper than just the old ethno-religious enmities and suspicions. Post-World War II constitutional Irish Nationalism has been transformed from a conservative clerical nature to an ethos embracing internationalism and socialism. It has inherited the traditional Nationalist perception of the partition but it wants to achieve a united Ireland by gradualist means involving European integration. The Agreement appears to represent a milestone achievement for the new "nationalism." Unionist opposition stems not just from the fact that they view the partition as their forefathers did, but their concept of sovereignty is "nineteenth century". Northern Ireland can either be in the United Kingdom or in a united Republic of Ireland but it can not be in both. The Hillsborough Agreement, in spite of what platitudes are said about it, constitutes in the Unionist mind as a betrayal of their rights as British citizens. In summary the Anglo-Irish Agreement has not just opened the old wounds between Orange and Green but has opened much of the 'new' wounds.

Postscript

As this paper was being drafted a Task Force of the Unionist Joint-Working Party produced a report (on June 16th, 1987) which, while restating Unionist opposition to the Agreement, has started a

[152] NIA, Committee, op cit, Vol. I, pg.32.
[153] Peter Smith, "Why Unionists", pg.25.

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change in Unionist tactics in that the leaders of the two parties, James Molyneaux and Ian Paisley, in "recognizing the inadequacies of the existing protest campaign" have commenced "'without prejudice' discussions with Her Majesty's Government thereto."[154]

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This author wishes to thank the many individuals of many political and religious viewpoints in Northern Ireland, and in Canada, who gave this author their time and materials without which this study would not have been possible. For reasons best known to themselves their names can not be mentioned.

[154] "The Task Force Report: An End to Drift: An Abridged Version of the Report Presented to Mr. Molyneaux & Dr. Paisley, 16th June, 1987, (Belfast: Joint Unionist Working Party, 1987), pg.7.

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Political Leadership in Revolutionary Regimes

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Success in becoming the eventual leader of post-revolutionary regimes is primarily due to situational opportunities and developments. Political success, or more aptly survival, in revolutionary regimes is less a result of pre-determined cycles of leadership change or ideological and political zealotry. Rather, the ascendence of particular leaders as the heirs of a revolution depends on whether the revolution was part of a politically "spontaneous" movement or was a "planned" program for the specific overthrow of the regime. Despite significant works of scholarship in this area, the question of how specific individuals come to assume the mantle of post-revolutionary regimes has not been adequately raised and answered. This article examines the dynamics that facilitate the ascension to leadership in post-revolutionary states.

Success of Revolutions

A discussion of post-revolutionary leaders must necessarily entail an examination of the point at which revolutions are thought to have succeeded. This is a risky venture, for the success of revolutions is, by its very nature, elusive and almost impossible to pinpoint. The question of exactly *when* revolutions succeed has historically depended more on the proclamations of new political governors and actors, claiming to have achieved at least the most pivotal goal of the revolution – the attainment of power – rather than intricate academic theorizing in search of a specific event or development *within* the post-revolutionary regime which would signify the revolution's ultimate success or failure. Did the French, Russian, Chinese, Cuban, and Iranian revolutions, to name just a few, succeed when previously revolutionary groups assumed power and became the state themselves or when these new leaders achieved some avowedly revolutionary goal, such as a classless or an Islamic society, *after* gaining control over the reins of power? Did the Russian revolution succeed in October 1917 or, as indeed a

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credible argument can be made, is it still continuing?[1] Similarly, differing dates and points of success can be advanced for almost all other historic revolutions.[2] The question becomes even more puzzling when revolutionary leaders are taken at their word, for they often see their revolution as an on-going, continuous process whose success depends on the workings of as yet subdued dynamics. For the vast majority of leaders of post-revolutionary states, particularly those who took active part in the revolutionary struggle, the revolution never ends. Whether due to political prudence or a matter of genuine commitment, for the likes of Lenin, Mao, and Khomeini the end of the revolution never came, the fruition of their ultimate dreams and ideals having been superseded by their own deaths.[3] Fidel Castro's fiery speeches and his unendingly passionate stewardship of Cuba epitomize more than just bombastic rhetoric. They give insight into his conviction that the Cuban revolution is still continuing. Historians may choose different dates to denote the end of one era and the start of another. But at least as far as revolutionary leaders are concerned, revolutions never end. It is often only with the coming to fore of second and third generation revolutionary leaders, the children and disciples of the original victors of power, that the fervor of revolutionary continuity eventually simmers down and gives way to a routinized pattern of political conduct.

Yet even before the ascension of new generations of leaders, revolutions are viewed to have fully succeeded when the political sentiments to which they have given rise are translated into actual political arrangements and are successfully superimposed onto existing ones. In her analysis of the French, Russian, and Chinese revolutions, Skocpol found that they "were fully consummated only once new state

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[1] For two differing historical interpretations on the termination of the Russian revolution see Lionel Kochan. *Russia in Revolution, 1890-1918*. London: Granada, 1966, and Sheila Fitzpatrick. *The Russian Revolution, 1917-1932*. Oxford: Oxford University Press, 1982.

[2] For comprehensive historical accounts of the Russian, Mexican, Chinese, Yugoslav, Vietnamese, Algerian, Turkish, and Cuban revolutions see, John Dunn. *Modern Revolutions: Introduction to a Political Phenomenon*. Cambridge: Cambridge University Press, 1972.

[3] The refusal of revolutionary leaders to accept the eventual petering out of the revolutionary movement is demonstrated through their unrelenting rhetoric while in office. Similarly, they frequently engage in activities or launch initiatives which may appear illogical by conventional norms. Their rhetoric and seemingly unreasonable efforts are all part of the process of institutionalization, designed to maximize their own longevity by prolonging the fervor of the revolution and at the same time re-directing it into politically advantageous energies.

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organizations – administrations and armies, coordinated by executives who governed in the name of revolutionary symbols – were built up amidst the conflicts of revolutionary situations."[4]

In all three revolutionary situations, she argues, political leaderships and regimes – the Jacobins and then the Napoleonic in France, the Bolshevik in Russia, and the Communist in China – emerged to reestablish national order, to consolidate the socioeconomic transformation wrought by the class upheavals from below, and to enhance each country's power and autonomy over and against international competitors. [5]

The success of revolutionary movements in the capture of political power turns the world of politics around. The mandate of government changes, leaders having promised a universe of new realities and followers having risked their lives for those promises. Upon seizure of power, the revolutionary project is itself at once revolutionized: no longer is the task one of achieving state paralysis but rather one of consolidation. Political power, once the focus of anger and anti-government sentiments, is now the embodiment of the ideals for which the masses rose. It is now entrusted with establishing its promised world. Its leaders and their agendas, its institutions and their organs, its ideals and their audience, and the manner and the means with which it conducts itself are all products of a revolutionary struggle, one in which the world of politics was turned upside down. The day now belongs to a new cadre of leaders. Their concern is not only to carve out a new national identity, to create the ideal society in which they invested the hopes of the masses, but at the same time to popularly legitimize their rule and live up to their revolutionary rhetoric. Their efforts are thus directed at augmenting the various linkages and nexus between the state and society, incorporating the popular strata into the process of government, and concurrently solidifying their own hold on power through institutional consolidation and political centralism. Ironically, in their attempt to forge a new society and make good on their revolutionary promises, post-revolutionary states often inadvertently accentuate economic hardships. The economically redistributive character of most revolutionary states, despite the loudly proclaimed goals of the actors involved, do not always enhance the economic lot

[4] Theda Skocpol. *States and Social Revolutions.* (Cambridge: Cambridge University Press, 1979), p. 163.

[5] Ibid. pp. 163-4.

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of their target audience. Indeed, the results are often the opposite.

Leadership

The success of the revolutionary struggle brings to the fore a new cadre of leaders, men (and, in a few instances, women) for whom the revolutionary project now becomes one of governing rather than capturing and destroying. Who are these men and why do they emerge as the revolution's eventual or temporary victors? And, why, as is often the case, do some leaders of post-revolutionary states show greater resilience in political stewardship than others? The question of who assumes the leadership of the post-revolutionary state greatly depends on the nature of the revolutionary movement and the manner in which the revolutionary drama succeeded in overturning the established order. Specifically, in so far as the leadership composition of post-revolutionary states is concerned, the accession of specific actors to leadership positions depends on whether a revolution was planned or spontaneous.

In planned revolutions, the leadership of the post-revolutionary state is assumed by leaders of the guerrilla organization which spearheaded the struggle against the old order. Without exception, in successful guerrilla-fought (and thus planned) revolutions, yesterday's rebels become today's leaders. History provides numerous examples of successful guerrilla revolutions in which post-revolutionary leaders were drawn from the ranks of the guerrilla organization. Mao and other leaders of the Chinese Communist party subsequently assumed leadership of China's post-revolutionary, communist state. Similarly, leaders of those states which emerged from the Algerian, Cuban, and Vietnamese revolutions were those who had been directly involved with leading the revolutionary fight.[6] Unlike leaders of spontaneous revolutions, these former guerrillas have for the most part shown remarkable resilience in holding on to power in post-revolutionary states.

The emergence of post-revolutionary leaders in spontaneous revolutions takes a slightly different course, although the underlying dynamics which lead to their accession are not fundamentally different from those at work in planned revolutions. Those who accede to leadership positions after the success of spontaneous revolutions are

[6] See Mehran Kamrava. *Revolutionary Politics.* (New York, NY: Praeger, 1992). chapter 2 (forthcoming).

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also figures once prominent in the revolutionary movement. Their ultimate success and survivability in the post-revolutionary era is, however, less predictable and is dependent on evolving and changeable circumstances and dynamics. Consequently, leaders who eventually come to claim the mantle of states that have emerged from spontaneous revolutions are often not the same as those who gave direction and provided leadership for the amorphous revolutionary movement. In these instances, the assumption of post-revolutionary leadership depends on the characteristics, qualifications, and situational opportunities of the individual personalities themselves as well as on prevailing social and political dynamics. Before examining in detail the forces instrumental in the shaping of post-revolutionary states in both spontaneous and planned revolutions, an analysis of alternative explanations of revolutionary outcomes is in order.

The revolution, like Saturn, devours its children.[7] So is the dominant theme of Crane Brinton's pioneering work on revolutionary outcomes, arguing that the initial victory of revolutionary leaders is but a brief "honeymoon" by relative moderates before themselves being overthrown by the "illegal government" of extremists. Revolutions follow an almost unilinear path, starting with the honeymoon of the moderates, moving on to the Reign of Terror, eventually settling down during a "Thermodorian" reaction, "a period of convalescence from the fever of revolution".[9] "There is a tendency", Brinton argues, for power to go from Right to Center to Left, from the conservatives of the old regime to the moderates to the radicals or extremists. As power moves along this line, it gets more and more concentrated, more and more narrow at its base in the country and among the people, since at each important crisis the defeated group has to drop out of politics.[8]

The consolidation of power by extremists is brought on by their superior organizational skills and their greater ability to fight foreign and domestic wars, which, Brinton claims, are natural derivatives of revolutionary movements.[9] In an environment polarized by "heated debates, attempted repression, (and) a steady stream of violent propaganda", the extremists find the political arena particularly hospitable to their own ends.[10] These are "heaven-storming idealists,

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[7] See John Dunn. *Modern Revolutions.*

[8] Crane Brinton. *The Anatomy of Revolutions.* (New York, NY: Prentice-Hall, 1952), p. 134.

[9] Ibid. p. 226.

[10] Ibid. p. 136.

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scornful of compromise", disciplined ideologues particularly adept in dealing with crises.[11] They have all the means and the determination which their moderate counterparts lack. Their ultimate victory, however, often comes in the form of a *coup d'etat*, a final putsch through which the "illegal government" capitalizes on the incapacitation of the moderates and establishes itself as the sole, legitimate heir of the revolution.[12] Yet their reign is impermanent, for "most men cannot long stand the strains of prolonged effort to live in accordance with high ideals."[15] Eventually, "after a revolution has undergone a crisis and the accompanying centralization of power, some strong leader must handle the centralized power when that mad religious energy of the crisis has burned itself out."[13] Cromwell, Napoleon, and Stalin were more than mere men of ambition. They fit into a specific pattern in post-revolutionary states, epitomizing centralized power and a semblance of return to social and political normalcy.[14]

More recent studies of revolutionary outcomes have been less deterministic. By far the most thorough attempt at constructing an analytical framework for the study of revolutions and their outcomes is that of Theda Skocpol, who originally concentrated on class and structural dynamics as pivotal forces in determining the character of post-revolutionary states. While recognizing the importance of revolutionary ideologies and popular commitment to them as one of the "necessary ingredients" of major, historical revolutions, Skocpol argued that the "cognitive content of the ideologies in (no) sense proved a predictive key to either the outcomes of the Revolutions or the activities of the revolutionaries who built the state organizations that consolidated the Revolutions."[15] Instead, "ideologically oriented leaderships in revolutionary crises have been greatly limited by existing structural conditions and severely buffeted by the rapidly changing currents of revolutions."[16] Two specific sets of factors, the structural circumstances within which revolutionary struggles are waged and the features and relations of the various classes, determine the ultimate outcome of revolutionary episodes.

Revolutionary struggles have emerged from crises of state and class

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[11] Ibid. pp. 158-9.
[12] Ibid. p. 163.
[13] Ibid. p. 179.
[14] Ibid. pp. 163-4.
[15] Ibid. p. 224.
[16] Ibid. p. 229.

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domination, and social-revolutionary outcomes have been powerfully shaped by the obstacles and opportunities offered by those crises.

Likewise, social-revolutionary outcomes have been shaped and limited by the existing socioeconomic structures and international circumstances within which revolutionary leaderships have struggled to rebuild, consolidate, and use state power. Variations in revolutionary conflict and outcome (can be) explained partly in terms of the specific features of each revolutionary crisis: exactly how each old-regime state broke apart; exactly what kinds of peasant revolts were facilitated by existing agrarian structures. And variations (can be) also explained partly by reference to the specific socioeconomic structures and international situations carried over, more or less from each old to new regime. [E]xplanations of the conflicts and outcomes of social revolutions best flow from the prior understanding of the structures and situations of old regimes and from a prior analysis of the causes of social-revolutionary crises. Revolutionary changes are accomplished upon such foundations and within such circumstances.[17]

[B]oth the occurrence of the revolutionary situations in the first place and the nature of the New Regimes that emerged from the revolutionary conflicts depended fundamentally upon the structures of state organizations and their partially autonomous and dynamic relationships to domestic class and political forces, as well as their positions realative to other states abroad.[18]

While Skocpol's analysis significantly enhanced the understanding of revolutionary eruptions and outcomes, her strict emphasis on pre-revolutionary, structural arrangements as determinants of outcomes of revolutions was soon challenged by others and revised by herself. Structural and class dynamics may indeed be of paramount importance in certain revolutions. However, as the Iranian revolution so starkly demonstrated, forces other than the structural and class arrangements of pre-revolutionary states, such as culture and newly emerging organizational capabilities, may prove to be just as important in determining the leaders of post-revolutionary states. As a result, an analytical framework somewhat different from Skocpol's was forwarded. S. N. Eisenstadt, whose discussions in this vein are among the most elaborate, had earlier argued that revolutionary outcomes are not necessarily given in the pre-revolutionary structure of society but "...are

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[17] Ibid.

[18] Theda Skocpol. *States and Social Revolutions*. p. 171.

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the product of interaction among pre-revolutionary characteristics, the forces of change – most notably, international forces – and the revolutionary process itself. Only through such interaction do coalitions of broad classes and coalitions between them and their major types of institutional entrepreneurs arise and change."[19]

In a later article, Skocpol sharpened the focus of her original analysis of revolutionary outcomes. She argued that to understand which political leadership will win out in (at least the initial stages of) the consolidation of state power in a social-revolutionary situation, one must ask *not* which leaders are most "modern" by some Western or technical standard, but which possess, or can easily develop within given historical circumstances, the appropriate political resources.[20]

At the same time, concurrent with her greater attention to the importance of access to specific political resources, Skocpol argued that there may well exist "moral symbols and forms of social communication" which *may* result in a culture conducive to challenges to authority. These cultural dynamics warrant greater attention in certain revolutions, such as the one in Iran, where the role and contribution of cultural forces to the revolution's overall character and ultimate outcome are irrefutable.[21]

The analytical approaches of all three authors discussed here find partial or complete applicability to the historic examples that they set out to examine. Brinton, a historian, carefully charts his discussion of the revolutionary moderates' "honeymoon", the emerging "crisis of extremists", and the subsequent "thermidorian reaction" by analyzing the English, American, French, and Russian revolutions.[22] Skocpol similarly examines the French, Russian, Chinese, and later the Iranian

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[19] Ibid.

[20] Ibid. p. 280.

[21] Ibid. p. 284.

[22] S. N. Eisenstadt. *Revolution and the Transformation of Societies.* (New York, NY: Free Press, 1978), p. 251. Eisenstadt also draws attention to the "major institutional derivatives of the symbolic orientations and their institutional derivatives such as, of human activities or the ground rules of social interaction, the structure of centers, center-periphery relations, the structure of markets, and so on. (Also important are,) among the *principal* actors in the revolutionary processes , the major carriers of such orientations; that is, the institutional entrepreneurs and elites that shape the institutional contours through which seemingly similar institutional interests are modeled in different ways". Ibid. p. 222.

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revolution with considerable skill and historical accuracy.[23] Eisenstadt's analysis involves less overt reliance on historical examples and is more thematic, his primary concern being the overall nature of post-revolutionary states rather than the particularities of their leaderships.[24] All approaches are credible scholarly explicandums for the study of outcomes of revolutions, at least in so far as the *political structures* of post-revolutionary states are concerned, and illuminate facets of analysis previously unexplored. Nevertheless, in one way or another they mostly leave certain specific questions about the nature of post-revolutionary leadership unanswered. Specifically, the issue of exactly how the "moderates" (to use Brinton's term) or the initial victors of the revolutionary struggle assume power is at best treated with scant attention.[25] Only Skocpol mentions, in passing, that "during revolutionary interregnums, political leaderships rise and fall according to how successful they are in creating and using political arrangements within the crisis circumstances that they face."

Struggles over the most fundamental issues of politics and state forms go on until relatively new state organizations have been consolidated; thereafter political struggles continue about how to use state power in its broadly established forms.[26]

The Role of Institutions

While these lines of analysis may not necessarily be inaccurate, they do not adequately deal with the questions of exactly how and why specific individuals ascend to leadership positions in post-revolutionary states while others do not. What is necessary is an analytical framework which discusses not only the overall characteristics of post-revolutionary states, as those discussed above do, but which also takes into account the nature and character of forces which lead to the emergence of particular leaders. It is here, in examining post-revolutionary

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[23] Theda Skocpol. "Rentier State and Shi'a Islam in the Iranian Revolution". *Theory and Society*. vol. 11, no. 3, (May 1982), p. 277. The reference to modernity in this passage has to do with the author's discussion of the social background of the Iranian revolution, prior to which extensive social and economic changes occurred.

[24] Ibid. pp. 275-6.

[25] Crane Brinton. *Anatomy of Revolution*.

[26] For critical examinations of Skocpol's analysis see the articles by Nikki Keddie, Eqbal Ahmad, and Walter Goldfrank in *Theory and Society*. vol. 11, no. 3, pp. 285-303, and, Jerome Himmelstein and Michael Kimmel. "Review Es ay: States and Social Revolutions: The Implications and Limits of Skocpol's Structural Model". *American Journal of Sociology*. vol. 86, no. 5, (1981), pp. 1145-54.

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leaderships as well as revolutionary causes and processes, that a distinction between planned and spontaneous revolutions further demonstrates its analytical utility. Leaders of successful planned revolutions almost invariably end up leading the states that emerge subsequent to their victory. This almost assured ascendence arises from the fact that guerrilla-based revolutions are largely battles between competing organizations, struggles involving the organized forces of the government versus disciplined and armed guerrilla organizations. When the government's forces are defeated and its organizational apparatuses are captured, the only viable organizations through which political power could be exercised are at the disposal of the former guerrillas, who, by their very nature as members of a guerrilla organization, are adept at utilizing and manipulating organizational procedures, command structures, and policy making mechanisms. It is important to remember that in pre-revolutionary societies, the establishment and activism of guerrilla organizations are intended to bring together otherwise disparate and uncoordinated political tendencies. The aim is to forge institutional venues for political expression and mobilization in settings where such institutions either do not exist altogether or if they do they operate under tight government control. Thus during and immediately after the revolutionary struggle, guerrilla organizations are the only viable means through which popularly legitimized political power can be exercised. As a result, guerrilla leaders become heads of the newly emerging political establishment. The consolidation and monopolization of power by all post-revolutionary states, discussed below, merely reinforces the political survival of former guerrillas as new political bosses.

The emergence of leaders following successful spontaneous revolutions, in which disciplined and organized political parties by and large do not play an overwhelming role, follows a path different from that in planned revolutions. Before revolutionary victory, leaders of spontaneous revolutions emerge relatively late in the movement, when the anti-regime struggle has already gotten underway, albeit in an uncoordinated and amorphous fashion. This ascendence is facilitated by both the cultural communicability of the emerging leaders' ideology in relation to the larger society, in addition to the means of access they have, either in the form of formal organizations or by virtue of their social positions, through which they can communicate with large numbers of people in a relatively free manner. However, unless in the post-revolutionary era they give political substance and organizational

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solidity to their largely culturally-derived position, they will not be able to maintain themselves as leaders of the post-revolutionary state. Culturally compatible ideologies and access to means of mass mobilization are important in mustering support against a regime. These factors do not lose their importance in the post-revolutionary state, but for them to bear actual political fruits they now need to be transformed into institutional means of exercising state power, means which can help achieve explicitly political ends and objectives. What is important, in Skocpol's words, "is that which political leaderships in revolutionary crises are above all *doing* – claiming and struggling to maintain state power."[27] (Original emphasis) Here the role of political organizations and institutions established immediately prior to or right after revolutionary victory assume particular importance, especially if their establishment took place with an eye toward wresting political power from other, competing centers. The collapse of the *ancien regime* and the resulting release of revolutionary energies give rise to a multiplicity of groups and organizations seeking to reap maximum benefits from the emerging political vacuum. Not unlike pre-revolutionary times, when the mobilizational abilities of groups determined their leadership viability, the abilities of the different groups to mobilize the most numerous and dedicated of followers in the post-revolutionary environment is also instrumental in facilitating their ascension to the leadership of the emerging regime. However, precisely because the organizational apparatuses of the former regime are no longer viable due to their defeat in the revolutionary struggle, especially the armed forces and the bureaucracy, the new political aspirants need to have at least comparable if not stronger organizations at their own disposal in order to establish effective, society-wide political control. It is access and control to these "appropriate political resources"[28] which ultimately determines the leaders of spontaneous revolutions.

The conflict between the Girondins and the Jacobins, both of whom claimed to be the rightful heirs of the French revolution, was eventually settled in favor of the latter only after they had placed themselves at the helm of the *san-cullotes*.[29] The Jacobin's cultivation of ties with these revolutionary foot-soldiers was at times reluctant, the latter

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[27] See S. N. Eisenstadt. *Revolutions and the Transformation of Societies*. pp. 223-51.

[28] See Crane Brinton. *The Anatomy of Revolution*. Chs. 4 and 5, and S. N. Eisenstadt. *Revolution and the Transformation of Societies*. pp. 222-3.

[29] Theda Skocpol. *States and Social Revolutions*. p. 165.

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fearing the consequences of too close of an alliance with the former, who were at times too fanatical in their adherence to moral purity and revolutionary fervor.[30] Nevertheless, the *sans-cullotes* proved an invaluable weapon whose manipulation and leadership by the Jacobins greatly facilitated the establishment of the Committee of Public Safety and the era that has since come to be known as the Reign of Terror.[31] The Bolsheviks' leadership of Russia's revolutionary movement and of the emerging governing apparatus was largely the result of their extensive control of the soviets, thus giving them significant organizational leverage compared to other revolutionary competitors.[32] At the same time, their patronage of the peasantry, epitomized by Lenin's programme of "Peace and Bread, Peace and Land", one based either on political opportunism or genuine concern, added to the Bolsheviks' supporters an increasingly important segment of Russia's revolutionized society.[33] In the Iranian revolution, the clerical establishment, one among the many groups that had in one way or another "led" the revolution, quickly used its wide popular support base to gain control of the many local revolutionary committees (the *komitehs*) and the irregular militia calling themselves revolutionary guards (*Pasdaran-e Enghelab*) which had sprung up throughout the country soon after the collapse of the Shah's regime.[34] Soon the Islamic Republic Party was established, giving organizational viability and cohesion to the clergy's populist ascent to power.[35] The outcome of the Nicaraguan revolution, which fell somewhere in-between the planned and the spontaneous models, was largely the result of widespread and grass-roots support for the principal revolutionary party, the FSLN, and its affiliated organizations at the expense of

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[30] Ibid. p. 165.

[31] Theda Skocpol. "Rentier State and Shi'a Islam in the Iranian Revolution". p. 277.

[32] R Ben Jones. *The French Revolution*. (London: Hodder & Stoughton, 1967), pp. 99-100. The *sans-culottes* were a group that fell midway between what could be called working class and the petty bourgeoisie. ... They were distinguished by their dress: trousers were worn by the workers, not the knee-breechers (*culottes*) of their richer lawyers. ... It was a symbol of their egalitarian outlook, for they were resentful of "rank-pulling". They were distinguished by a social antagonism, too, for they regarded themselves as virtuous poor and the wealthy as likely to be corrupt and "aristocratic" (a word which for them came to represent anyone against the revolution). Ibid. pp. 27-8.

[33] Ibid. p. 105.

[34] Ibid. p. 121.

[35] John Dunn. *Modern Revolutions*. p. 40.

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potential rivals.[36] In all these examples, the determining factors were both organizational and political: leaders became leaders because of access to organizations and institutions through which they could communicate with their respective revolutionary audiences. These very organizations soon became significant administrative arms of the states that were subsequently established, those at their helm or those who claimed to speak on their behalf becoming leaders of that state. For those who did not have access to equally strong organizations, or who saw no need for organizations of any sort at all, political leadership became less and less of a lasting reality, particularly as the revolutionary process continued to steam ahead.

Political Centralism and Violence

It is here where Brinton's assertions of revolutions eating their own children and of the overthrow of moderates by the "illegal government" of extremists assumes greater clarity. Revolutions, at least in their immediate aftermath, result in an atmosphere of uncertainty and competition, in an uncapping of forces long suppressed and eager to make their political mark. At their height, when the regime is weakest and its opponents the loudest, revolutions have numerous self-proclaimed leaders, men (women have been historically absent from the scene) of different ideological persuasions, skills, and political purchase. It is those with the most viable, emerging institutions at their disposal, political, military, and otherwise – revolutionary committees and ad hoc organizations, self-appointed policemen and irregular militia – who are able to hegemonize the institutional mechanisms used for governing society and as a result usurp the revolution, justly or unjustly, in their own favor. These are pragmatist politicos, hardened by the realities of trying to govern a society made ungovernable by the tumults of revolution. They are men adept to praxis, aware of those intricate nuances of daily life which assume such overwhelming significance in extraordinary circumstances of the magnitude of revolutions. They are, by nature, different from the well-meaning idealists who were, along with others, vociferously heard from in the earlier phases of the revolution. In comparison, the intellectuals, "the moderates", as Brinton calls them,[37] are overly philosophical in

[36] Ibid. pp. 42-3.

[37] See Shaul Bakhash. *The Reign of the Ayatollahs: Iran and the Islamic Revolution.* (London: I. B. Tauris), pp. 56-64.

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orientation and temperament, men more of letters than the sword. Their concern is with generalities, the overall quality of the new universe which the revolution has brought about, not with details of political organization.[38]

Their affinity with cold, pragmatic concerns often translates into more than merely superior organizational abilities. It often manifests itself in the form of a lack of compunction about the violent use of terror in attaining short-term results. "The logic of the situation", writes one observer, imposes a kind of ruthless eliminatory struggle on the participants. One can see this re-enactment in any society in which a revolution destroys the old recognized center of legitimacy and the old circle of mutually reinforcing convention: competing new self-proclaimed authorities emerge, none of which is yet hallowed by age. The one which can destroy or intimidate the other most effectively eventually concentrates power in its own hand.[39]

That this endemic eagerness to use violence later leads to an unprecedented level of political centralization in post-revolutionary states will be discussed later. But in so far as the more idealistic, moderate elements are concerned, it is not surprising that they find their political space increasingly narrowed in the post-revolutionary government, eventually so much so that they cease in any way to be a part of it. Brinton's assertion of revolutions moving from the extreme right to center to the extreme left[40] is less a historically natural pattern of revolutions and more a product of the political and institutional resources at the disposal of one of the revolution's initially many victors. Nevertheless, as most revolutionary experiences have demonstrated, there is a tendency in post-revolutionary governments to use violence, often in generous portions, as a necessary end to reach higher ideals. The first victims of such violence, sanctioned as it is by clusters of leaders within the evolving state, are those inside the establishment who begin to question the merits of these higher goals and agendas, revolutionaries who do not necessarily agree with the direction which the revolution is assuming. They pose the most potent threat. Their stature and popularity has been enhanced by their participation in the revolutionary struggle, their ideologies and dogma

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[38] Ibid. p. 31.

[39] James DeFronzo. *Revolutions and Revolutionary Movements.* (Boulder, CO: Westview, 1991), p. 204. FSLN stands for *Frente Sandanista de Liberacion Nacional.*

[40] Crane Brinton. *The Anatomy of Revolution.* p. 135.

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having at least some support and appeal among those who poured into the streets. They are, indeed, the children of the revolution, placed in the unfortunate position of being unable to contain it to their own liking and thus falling to its wrath. But just as the leadership of the post-revolutionary state becomes clearer, so does the New Society that it leads is cleansed of non-conformist threats. After the state is filtered of its ideologically less reliable elements, then the focus of political correctness shifts to society. The new regime seeks to subdue actual or perceived threats by clamping down on politically excluded groups, those with doctrinal tendencies different from the regime's increasingly all-encompassing world view. One after another, political parties are banned, free-thinking intellectuals harassed, and dissenters terrorized. All of these developments, from the relatively speedy emergence of consolidated groups within the broad coalition of revolutionary leaders to the brutal campaigns of social purification, are efforts which, purposefully or not, expedite the institutionalization of the new order. They point to the political coming of age of the revolutionary establishment, a process whereby the tenuous hold of new leaders becomes solidified, their supporting institutions are strengthened, and the impermanence of their revolutionism becomes permanent.

Conclusion

Prior to their success, leaders of revolutions are determined by virtue of both the organizational as well as extra-institutional tools at their disposal. Viability of revolutionary organizations, the feasibility of mass mobilization, and the cultural communicability of the revolutionaries' ideology are all instrumental in their success in spearheading a political movement. To a great extent, these very factors determine the leaders of the post-revolutionary era. In both planned and spontaneous revolutions, access to institutional means of political control and mobilization is of paramountimportance. Because of the very centrality of organized party activity to planned revolutions, the very success of such revolutions automatically results in a replacement of old state institutions with those of the revolutionary organizations. In a sense, leaders of states emerging out of planned revolutions are already largely predetermined due to their ready access to the only viable institutions capable of political control. In spontaneous revolutions, however, where revolutionary leaders emerge late and the organizations through which they direct the revolution evolve even later, extra-institutional means of political ascension – sheer wiliness and determi-

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nation, cultural resonance of revolutionary ideology, and the cultivation of populist and charismatic appeal – are more directly instrumental in facilitating the rise to prominence of specific individuals within the leadership cadre. The use of terror and violence, endemic as they are to revolutionary circumstances, greatly augment the powers of post-revolutionary leaders, not only mitigating the possibility of further revolutions, at least in the short-run, but also enhancing the centralized characteristics of the emerging power bloc.

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International Political Analysis and International Business: A New Model

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Multinational firms are exposed to a wide variety of political risks. The Iranian Revolution in 1978, the Iran-Iraq War during the 1980s, and Iraq's invasion of Kuwait dramatized changes in the host country's political environment. Consequently, multinational corporate officers have come to appreciate the impact of political factors on corporate goals and strategies. The role of politics as an important determinant of multinational managerial strategy is widely appreciated by CEOs of international businesses. Multiple political and operating environments affect both the setting and goals of corporations, and the experience of repeated confrontations and negotiations with foreign governments. Therefore, foreign investment relationships with host countries are inherently political. This is especially true when foreign investment or contractual agreements are with the government of the host country. Isolating political risk factors and incorporating these into decision-making processes, thus, are widely accepted practices.

To be sure, it is those dramatic and sudden macro-political events such as revolutions, wars, political instability, coups, regime changes, major regime succession crises, sudden and wholesale expropriation of the assets of foreign multinationals, and similar major events that catch the attention of both multinational corporate strategists and academic analysts of international political risk. Mundane changes in a host government's policies, however, are more common and often pose more immediate risks to the foreign investment regime. For example, government restrictions with respect to the transfer abroad of capital, profits, personnel, equipment, or restrictions on the export of goods and services produced by a multinational firm pose business risks having potentially serious consequences for the profitability of the foreign investment project. Increasing control by the host government over the operations of the foreign investment project in the host country also creates serious operation risks. Similarly, administrative/statutory changes may affect the business operating environment. Finally, companies often face risks when host government policies chip

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away at the corporation's ownership rights. Some examples include, but are not limited to, government policies affecting equity sharing, participation of the host government in an investment venture, and expropriation of assets.

Multinational firms face a variety of transfer, operational, and administrative/statutory risks on a daily basis. Recent developments in Eastern Europe and Latin America favor privatization and rollback of government intervention. The trend in many host countries has been in the direction of greater governmental control of MNCs. Host governments' objectives regarding multinationals' contributions to the host country become more explicit and have grown both in range and depth. Increasingly, there has been a shift in bargaining power in favor of host governments caused by their greater ability to manage or regulate multinationals and because of increased competition among multinationals of different countries. These conditions were almost nonexistent in the 1950s and 1960s. Consequently, governments of host countries are in a better position, and perhaps are more likely to succeed in their attempts to shape the foreign investment situation in their favor.

Appreciation of the dynamic political conditions abroad, along with their impact on international business, has intensified interest in political risks assessment. Many large multinational firms utilize risk analysis as a decision-making tool. Consequently, a plethora of political risk assessment techniques and models have been developed. This article provides a critical survey of their various approaches.

Specifically, the objectives of this article are: (1) to provide a brief overview of some of the most widely used and promising political risk assessment techniques and methodologies. In particular, I present an in-depth survey of two approaches of political risk. The first is called ASPRO/SPAIR (Assessment of Probabilities/Subjective Probabilities Assigned to Investment). The second is the Coplin and O'Leary approach for the study of the political environment of countries host to multinationals published by Frost and Sullivan's Political Risk Service. Both models have been chosen (1) because of their widely recognized value in assessing the political environment of multinationals; and (2) to present an alternative model for assessing the political environment of host countries.

According to Stephen Korbin, political risk methodologies vary according to their data source (observational/expert), their breadth and depth of coverage (in-depth, selected countries/cross national scan),

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whether they are structured/unstructured (specifying causes, effects and underlying assumptions) and systematic/unsystematic (employing formal forecasting methods).[1] Despite this diversity, the efforts to evaluate the foreign political environment for multinational businesses have taken two rather distinct tracts. The "traditional" genre is based on a single country analysis by a competent political expert. The "empiricist" approaches use "objective" observational data in formal models or methodologies to systematically process the subjective evaluations of experts.

Before we present the ASPRO/SPAIR and the Frost and Sullivan as examples of the empirical genre, a brief commentary is in order on the (so-called) traditional approaches and the formalized and qualitative (albeit unstructured) nonempirical approaches. The review presented here is primarily intended to identify gaps in the literature and provide a rationale for the proposed method of the author. As such, it is not a comprehensive review of the literature; ample literature reviews already exist.

Traditional Techniques and Political Risk Indices

As indicated earlier, the "traditional" track of analyzing the political environment of a country host to multinationals consists of evaluations made by a single country expert. This specialist is expected to bring to bear his/her considerable knowledge of the politics, culture and history of the host country. Before Gulf Oil Corporation was acquired by Chevron, another multinational oil giant, the International Policy Analysis Section of the Public Affairs Department at Gulf, consisting of political scientists and international relations specialists, was asked to provide indepth studies. These specialists fulfilled their mandate by "... preparing, developing, and participating in country risk/opportunity assessments, scenario building, project feasibility studies, issue analyses, and corporate position papers."[2] The traditional country analysis could be useful for multinationals insofar as it enables corporate management to acquire a sense of appreciation for the political situation of a country. Problems of comparability could result

[1] Stephen J. Korbin, "Political Assessment by International Firms: Models or Methodologies," *Journal of Policy Modeling* 3 (1981), pp. 255-256.

[2] John D. Sassi and Shaheen F. Dil, "The Art of Crystal Ball Gazing: Political Risk Analysis Experience at Gulf Oil Corporation," in Jerry Rogers, ed., *Global Risk Assessments: Issues, Concepts and Applications* (Riverside, CA: Global Risk Assessments, Inc., 1983), p. 5.

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if analysts change, however, and someone having comparable expertise is not available to continue this type of analysis for the corporation.

Among the simplest traditional ways to evaluate political risks is the "go, no-go" approach. It entails a decision by corporate managers and planners to accept or reject a particular country for the purpose of undertaking direct investment. They base their examination on one or two factors. The attitude of an international planning manager at a major chemical company is typical:

> We have not considered investing in Brazil because of the rapid devaluation of currency. We have experienced foreign exchange losses in the devaluation of foreign currencies and these upset our board of directors. Therefore, we made the decision not to consider investing in Brazil.[3]

Obviously, this method has major disadvantages as some very good investment opportunities are passed over because a country is rejected on the initial screening. Other traditional methods commonly used are the "grand tours" and "old hands." The former relies on a visit to the prospective host country by corporate decision makers. The latter relies on the opinions of country and area specialists. Due to the depth of information based on direct observation and the input from experts on the politics of the country or the region, these methods tend to be more viable than the "go, no-go" approach. These approaches all lack systematic analysis, however. The results do not lend themselves to comparison across countries, largely because of their strict reliance on subjective evaluations.

Indices using various political risk-rating scales constitute another general approach. Indices present ratings of countries on the basis of various factors of political risk. The relative weight of these is derived from questions and answers. One of the most popular political risk rating scales is the Business International Country Ratings (BI). It uses a "scoreboard approach" of three sub-indices composed of (1) political, legal, and social; (2) economic; and (3) financial factors. The fourth sub-index consists of commercial factors such as the market size of the economy, annual GNP growth, restriction on foreign trade, availability of local capital and labor, and others. The three major

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[3] Robert Stobaugh, Jr., "How to Analyze Foreign Investment Climate," *Harvard Business Review* 47 (September-October 1969), p. 101.

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sub-indices have a maximum value of 100 points. The fourth sub-index accounts for a maximum of 40.[4] The degree of risk and lessened opportunity (political, economic, and financial) that foreign investors face in a particular country is measured by the degree of departure from the maximum score of 4.[5] Each variable or factor is then rated as being either "most favorable," receiving maximum points, or "the most undesirable" with minimum points assigned in intermediate situations. The average of the combined value of these sub-indices is then calculated by dividing the aggregated values by 3.4. The result is a country-rating scale based on a scale of 100.

The Business Environmental Risk Index (BERI) uses a similar method. The BERI index consists of 15 variables grouped into political, operations, and financial risk sub-indices. Each variable is scored on a rating scale of zero (unacceptable conditions) to 4 (superior conditions) for investment.

Perhaps the most sophisticated rating index based on an empirical model of political risk is the "Political System Stability Index" or PSSI. The PSSI was designed by Haendel, West, and Meadow. It consists of socioeconomic, governmental processes, and societal conflict sub-indices. The sub-indices consist of a set of variables that tap the parameters of each of the other sub-indices. For instance, the "societal conflict" index consists of the Public Unrest Index (measured by the frequency and occurrence of riots, demonstrations, and government crises indicators), the Internal Violence Index (consisting of armed attacks, assassinations, coups, and guerrilla warfare indicators), and the Coercion Potential Index (measured by internal security forces per 1,000).[6]

These rating scales could be useful in discerning and monitoring events related to the politics, economic well-being, and regulatory environments of the host countries that are important to a multinational corporation. These scales do not provide the kind of in-depth and project-specific information that top management of a multinational corporation needs to assess specific foreign investment risks. Political

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[4] Business International Research Report, *Stategic Planning for International Corporations* (New York: Business International Corporation, 1978), p. 85. See also Howard Lax, *Political Risk in the International Oil and Gas Industry* (1983), p. 128.

[5] Ibid., p. 86.

[6] Dan Haendel and Gerald T. West with Robert G. Meadow, *Overseas Investment and Political Risk* (Philadelphia, PA: Foreign Policy Research Institute, 1975.) See also Howard Lax, *Political Risk in the International Oil and Gas Industry*, pp. 138-139.

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risk rating indices are also not very useful for forecasting project-, company-, and industry-specific contingencies. Even the empirically rigorous PSSI is based on an analysis of current conditions, and is frequently unsuitable as a forecasting tool. PSSI deals with the political stability and survival of governments in the Third World. It is not suitable for micro-policy specific risks that are generated as a result of changes in the regulatory environments in developed market economies host to multinationals. All in all, this lack of specificity reduces its utility as a decision-making tool. Finally, it is difficult to assign proper weights for each category of risk in the host country's investment climate.

Models of Political Risk Based on Judgments of Experts

The Use of "Prince" – Applying the Frost and Sullivan Model of Political Risk Assessment

Frost and Sullivan's World Political Risk Forecast (WPRF) develops political risk forecasts on 85 countries. A major product of these forecasts is a country study that "... provides the background factors and political actors determining risks to international business. It also contains three regime scenarios for the 18-month and five-year forecasts and what those scenarios will mean for political turmoil, restrictions on international business, trade policy, and economic policy."[7]

In deploying the WPRF, the first step is to select a specific political risk event or issue of concern to multinational corporate investors. Suppose the corporation wants to measure support or opposition among host government officials and regulators. The next step is for the specialists or experts to identify at least seven actors able to influence political risk events during the next 18 months. These actors may be top government decision makers, individuals in charge of regulating foreign investment, groups or ministries within the government, opponents of the government, or various influential groups in the society such as leaders of businesses, unions, ethnic organizations, or others. Next, the experts indicate an estimate of the

[7] William Coplin and Michael O'Leary, "The Frost and Sullivan Method: Applying the 'Prince'" in David M. Raddock, *Assessing Corporate Political Risk* (Totowa, New Jersey: Rowan and Littlefield, 1986), p. 163.

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position of each actor listed in terms of the following categories:

1. **Orientation** is the attitude of the actor under examination toward the particular political risk action. The orientation of the actor is coded as Supportive (S), Neutral (N), or Opposed (O).

2. **Certainty** is the stability or steadiness of the actor's orientation. If the actor is an organization or a group, then certainty is determined by the extent to which there exists a consensus among the actor's membership in supporting or opposing the action in question. The rating scale used measures from 1 (little or no certainty) to 5 (extremely high certainty).

3. **Power** is the ability of the actor to act on the preferred position and exert influence, directly or indirectly, in support of (or against) the action relative to all other actors. The sources of power considered are the numerical strength of a group, wealth, physical resources, institutional authority, prestige, and political and organizational skills. Power is measured on a scale ranging from 1 (having little or no power) to 5 (wielding extremely great power).

4. **Salience** is the significance attached to either support for or opposition to the particular risk event or position relative to all other actions with which that actor is concerned. The rating scale for this particular indicator ranges from 1 (little or no importance) to 5 (extremely great power).[8]

The probability that a particular political risk event will occur is then determined by multiplying the score of each actor, then dividing the sum of the positive scores (including half of each neutral score) by the absolute value of the sum of all scores.[9]

Prince charts are used in all sections except economic policies.[10] The forecasts are made for an 18-month period and experts who complete the questionnaire supplement these forecasts with estimates of likely changes. The expert also makes a more general five-year forecast. The quantitative procedure, thus, is supplemented by a qualitative analysis contained in a descriptive report addressing the overall political situation.

There are several advantages of the Frost and Sullivan WPRF. First, it ensures some degree of comparability across host countries and

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[8] William D. Coplin and Michael K. O'Leary, *Introduction to Political Risk Analysis* (Syracuse, New York: Policy Studies Associates, Syracuse University, 1983), p. 20.

[9] Ibid. pp. 2-4.

[10] Ibid. p. 4.

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makes it possible to monitor national changes within a single country. Second, probability can be incorporated into decision making with relative ease. Third, the Prince Model can be used as a framework for analyzing other political decisions. In 1972, for example, it assisted the Intelligence and Research Bureau of the Department of State of the U.S. government in forecasting the probability of a successful agreement between North and South Korea.

There are serious drawbacks to the model, however. Among others, industry, firm, and project-specific concerns and variables cannot easily be incorporated. Consequently, dependent variables are too broad and might have only tangential bearing on a particular firm that does business abroad. For instance, determining the national probability of political turmoil or business restrictions might be very important when used to alert international investors to the existence of generalized political risk. These are of little value to a specific multinational firm, however, unless the impact for that particular company is analyzed. Suppose we can determine with a degree of certainty that the investment climate is adverse to international business in a particular country. We still need to differentiate the effects of the various elements of that climate. The profitability of a plant built to serve the domestic market is likely to be severely impacted by the adoption and continuation of tariff protection when compared to the profitability of another plant erected to serve the export market. The Frost and Sullivan Model cannot address these types of firm and project-specific concerns.

Although dependent variables can be adjusted, the Model does not render itself to such analysis with any degree of ease. Robert Slater summarizes one of the more outstanding drawbacks of the Frost and Sullivan Prince Model:

> ... calculations and techniques used for the derivation of probabilities are nowhere clearly described. It is difficult to evaluate how finely tuned and timely the analysis can be without a clear presentation of such techniques. In addition, although the narrative is an attempt to relate short- and long-term trends, its infrequent revision belies its usefulness.[11]

In short, Frost and Sullivan WPRF rely on the subjective evalua-

[11] Robert O. Slater, "The Bootstrapping Approach: An Alternative to Old Methods Restyled," in David M. Raddock, *Assessing Corporate Political Risk*, pp. 153-154.

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tion of experts. As such, the model suffers from some of the shortcomings of subjective evaluation techniques. Among its notable shortfalls is that experts might overemphasize a recent event, or series of events. A particular incident of political violence might make more of an impression on the expert than a series of ordinary and mundane cases which, cumulatively, might be far more important.

The Shell Oil Method: ASPRO/SPAIR

Unlike Frost and Sullivan WPRF, the ASPRO/SPAIR (Assessment of Probabilities/Subjective Probabilities Assigned to Investment Risks) procedure designed by Shell Oil, is industry-, firm-, and project-specific. Designed to address the particular political concerns of multinational oil companies, ASPRO/SPAIR's firm- and investment project-specificity enhances the utility of its probabilities to a multinational oil company's decision-making process.

The procedure explicitly states the premises of an oil project under consideration:

1. The oil firm has or is negotiating an agreement for exploration and development of petroleum;
2. The contract is seen as fair by both the firm and the host;
3. The project will prove successful;
4. The amount of crude discovered will be sufficient to have a significant economic impact on the host country for the next decade.[12]

ASPRO/SPAIR is very specific in defining political risk to overseas oil ventures. Political risk is defined as:

> "... the probability of not maintaining the described contract during the 10-year time span in the face of changing economic and political circumstances."

ASPRO/SPAIR divides risk into two broad categories. The larger categories relate to assessing changes in return on investment in the host country. It consists of seven components that measure inadequate returns on investment. The second category includes the risks of

[12] Howard Lax, *Political Risk in the International Oil and Gas Industry*, 144. For the original source see C.A. Gabelein, C. F. Pearson and M. Silbergh, "Assessing Political Risk of Oil Investment Ventures," *Journal of Petroleum Technology*.

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restrictions on the movement of funds and oil out of the country.[13]

The model then proposes expert opinion. Experts are asked to evaluate each component and factor in light of alternative (pessimistic/optimistic) scenarios. Furthermore, great care is taken in the selection of the experts. Academic and national backgrounds of experts, for example, are sufficiently diverse to generate a broader range of estimates. The model is based on the premise that the real probability lies between the best estimates (the panel mean) for the optimistic and pessimistic scenarios.[14] Experts are continuously informed of the results so that they can decide whether their positions are accurately reflected in the quantification procedure.

The model uses a qualitative scale to show probabilities. Probabilities range from strongly supporting and weakly supporting to neutral, to weakly refuting and strongly refuting. Values of 10 percent, 30 percent, 50 percent, 70 percent, and 90 percent show levels of support. The probabilities of a particular event, based on the separate factors, are combined for each expert. After assigning a certain confidence level, the model then aggregates results for the various experts. The results are plotted, showing the probability density and mean (best estimate) of the distribution of the panel's aggregate forecast for both the optimistic and pessimistic scenarios.

As noted earlier, the advantage of the APRO/SPAIR is that it can be used exclusively for assessing company-political risk. It can be applied in-house for the benefit of multinationals in the international oil and gas industry. It is also applicable to specific foreign investment projects. It suffers from a set of drawbacks, however, some of which are inherent in the nature of the methodology and others that relate to its application limitations and the costs of using it. Slater summarizes the first shortcoming:

> The panel of experts still, however, must be drawn primarily from the outside, and the factors they are asked to assess are, for the most part, predetermined. The interaction between the assessment process and the investment decision-making process appears to be minimal. That is, there does not seem to be any mechanism, once the original investment strategy is weighed, for the risk assessors and the decision-makers to refine and reassess probabilities of alternative

[13] Quote cited in Lax, *Political Risk in the International Oil and Gas Industry*, p. 144.
[14] Ibid. p. 145.

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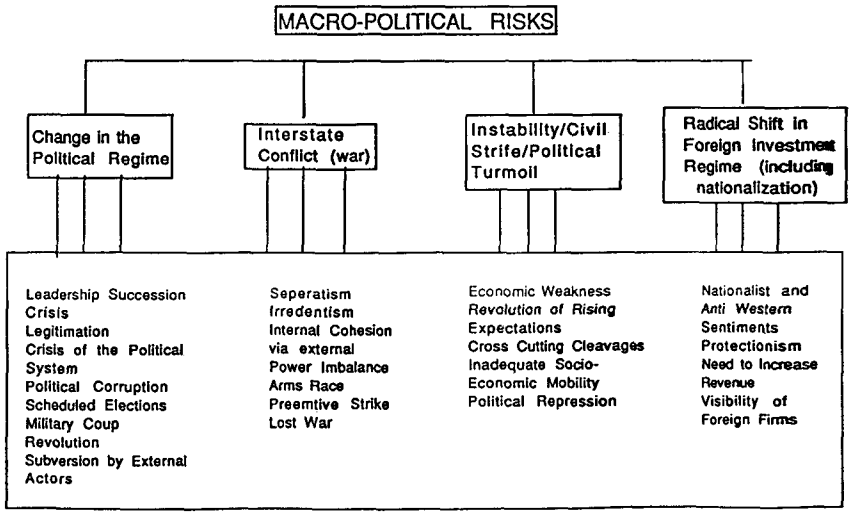
strategies.[15]

ASPRO/SPAIR does not account for the degree of confidence outside experts have in their evaluation. This could be a potentially serious flaw. Analysts who are less informed might tend to exaggerate the significance of a particular political risk event.

Some of the concepts appearing in ASPRO/SPAIR are sufficiently broad and vague so that different experts might arrive at differing interpretations. This problem could be especially acute since some of the experts are foreign nationals (which is often likely) and as experts might have a different understanding of the same concepts. "Civil Disorder" is one such concept which could lend itself to a variety of interpretations. Assessing a multinational firm's foreign investment project losses due to civil disorder may also be subject to conflicting interpretations.

FIGURE 1: TARZI'S MODEL



In the new model proposed by this author, such concepts appear as dependent variables, and their causes as independent variables. A degree of precision is injected into the conceptual schema. More

[15] Robert O. Slater, "Bootstrapping Approacn" in Raddock, *Assessing Corporate Political Risk*.

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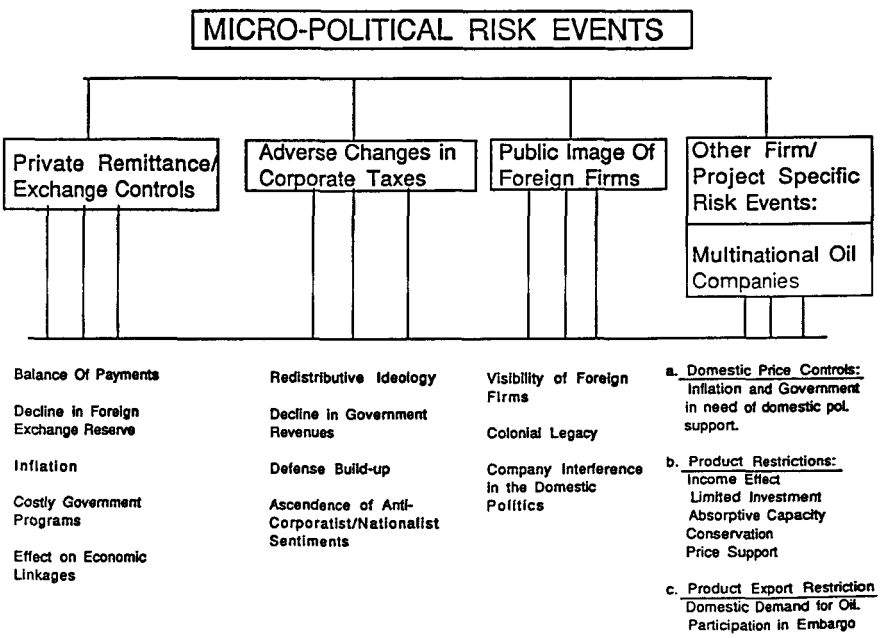
importantly, since the technique does not rely on the subjective evaluations of many experts, it sidesteps the problem of "overconfidence" and conflicting interpretations. Below is presented an alternative framework for risk assessment.

Tarzi's Alternative Model of Risk Assessment

The frame of reference proposed here is designed to make risk evaluation more precise by identifying and clearly defining both dependent and independent variables. The proposed model identifies Political Risk Events as dependent variables. A political risk event is defined as any change in the host country which, if and when it occurs, would negatively impact the financial success of the particular venture. For each dependent variable or risk event, the Tarzi model specifies a number of influencing factors or independent variables.

FIGURE 2



An influencing political risk cause or factor is defined as a particular circumstance or set of circumstances which give rise to political risk outcomes or influence the occurrence of a political risk event. Four

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macro- and three micro-political risk events (dependent variables) are identified.

Whereas the macro-risk events are systemic, involving the political system of the society at large, micro-risk events are those specific changes within the public policy/regulatory environment of the host country which, if these occur, would have a negative impact on the profitability of the investment project. The eighth variable is included so as to suggest a way to adopt the proposed approach to firm- and project-specific risks. As figures one and two illustrate, the predominant vector (political risk factors to political risk events) indicates the causal relationships between dependent and independent variables.[16]

In order to conceptualize those broad macro-political risk events so that firm and project-specific concerns can be addressed explicitly, a decision tree is added. The decision tree enables the analyst to produce a series of cumulative probabilities of specified occurrences.

Each of the macro-political risk events and their influencing political risk causes or factors is identified and discussed. A brief discussion of the decision tree is presented as an analytic device to supplement the macro-political risk frame of reference. Third, major political risk events and their causes in the international oil industry illustrate how the model can be adopted to the specific concerns of a particular industry or firm.

Regime Change

(Definition: A major shift in the leadership of the government responsible for running the country.)

Influencing Political Risk Factors

Leadership succession crisis: Political systems in Third World countries sometimes are not sufficiently mature to enable orderly transitions of political power. When the opportunities for change in political leadership present themselves, intense power struggles often ensue. Sometimes such struggles among competing factions and parties lead to regime changes.

Legitimation crisis of the state: The governing elite base their claim to

[16] This section of the model has benefitted from the work of D.W. Bunn and M.M. Mustafaoglu, "Forecasting Political Risk," *Management Science*, vol. 24, no. 15, (November 1978), pp. 1157-1167.

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leadership and authority on certain principles that are no longer acceptable to certain influential groups in the country. For instance, a monarch's rule based on hereditary principles may be challenged by a modern intelligentsia which regards existing political arrangements as illegitimate. This group, in cooperation with certain elements in the military, may plan to overthrow an existing regime.

Scheduled elections: Although extralegal methods such as assassinations, military coups, and revolutions receive much attention, in advanced democracies changes in government usually come about through elections. Regime changes through elections can have serious political-economic consequences. For instance, the new government might formulate new regulations regarding trade, or might adopt a more interventionist posture, or increase taxes, or fix the value of the currency. In Australia, in order to protect jobs, the elected labor government of 1982 imposed massive import restrictions. The election of Francois Mitterrand in 1981 in France led to a decline in the value of the currency.

In Chile in 1973, the socialist government of Allende came to power through elections. This regime change had dramatic consequences for multinational businesses. Chilteco, a subsidiary of International Telephone and Telegraph (AT&T), for example, was nationalized. The government also threatened with nationalization Anaconda, the American mining concern, unless it succumbed to the new socialist government's demands.

Military coups: Coups have been a popular extralegal method of regime change in many Third World countries, especially in Latin America. *Coup d'etats* usually have many and diverse causes. Coups occur, in part, because of the lack of institutional mechanisms for the transfer of power.

Regime overthrows are also attempted by competing power elites. In Chile, the military junta under the leadership of General Pinochet overthrew the legitimate and popularly elected government of Allende. In this instance, regime change resulted in positive consequences for foreign investors.

To be sure, it is extremely difficult, if not impossible, to anticipate a coup. Nevertheless, answers to basic questions may provide some forewarning: Are the troops happy? Are junior and senior officers satisfied with their pay and benefits? Are they satisfied with the social status, prestige, and mobility that their society confers on them? Does the country have a history of military coups? What general political,

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social, and economic circumstances would arouse the indignation of the military and force them to act? Crushing economic circumstances, official corruption, and anxiety over the outbreak of social unrest, furthermore, often prompt a coup.

Revolutions: Iran's revolution of 1978 dramatized the complete collapse of an established political system and the consequences of regime change for foreign investors. More than 75 percent of foreign investors lost all but a small percentage of their assets during that revolution. The conflict between Iran's government host to MNCs and the home governments of the multinationals made it almost impossible for foreign investors to continue doing business in Iran.

Revolutions depend for their success on some of the factors which cause social upheaval and civil strife. Often a successful rebellion turns into a social revolution sweeping out the old political elite and bringing in a new set of elites. The critical question: At what point does a rebellion become a revolution? In order to answer such a question, the nature of the personalities of the revolutionary leaders, the nature of the ideology, the question of assistance by foreign powers as well as organizational capability of rebellion forces must be analyzed. Even the CIA was unable to predict either the Iranian Revolution or the cataclysmic changes in the Soviet Union, which represent the core of its organizational mission.

War and Territorial Disputes

(Definition: Interstate conflict leading to the suspending of a multinational firm's operations by the government or destruction of corporate facilities due to war.)

Irredentism: Often the historical demarcation of boundaries of the many new states in Asia and Africa and ethnogeographic regions do not coincide. An ethnic group may straddle a border between two states, belonging only peripherally to either of them. Irredentism is the outgrowth of the struggle for a people's reunification. Thus, the irredenta is a portion of a territory that is regarded as lost or stolen, wherein a portion of an ethnic nation resides. The impetus for reunification may come from the separated population (irredenta), or the main body, the "irredentist" state, or both.[17] Somalia's claim in relation to the Ogaden, for example, and Libya's demands regarding

[17] Walter Jones, *The Logic of International Relations* (Boston: Scott, Foresman and Co., 1980), p. 413.

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Northern Chad are examples of irredentist tendencies which have led to war.

Power asymmetry: A power imbalance favoring a country which seeks to change the balance of power from that of its adversaries to its own favor, could create conditions for a policy of imperialism and territorial expansion. Hans Morgenthau argued that a power vacuum or the existence of weak states in circumstances where there is a marked asymmetry in favor of the imperialist state, could tempt that state to act upon its expansionist motives.[18]

A related factor which creates tensions between a country and its neighbors is the sudden shift in the foreign policy of a nation. This is often the result of regime change and dramatic changes in ideology. A shift to extreme ideology, for instance socialism or radical nationalism, can make the foreign policy of the host government incompatible with that of neighboring states. Consequently, host countries may be perceived as a threat. This change in foreign policy goals may not be alarming if the balance of power favors the status quo states. If it changes in favor of revolutionaries, however, then conflict may be inevitable.

Lost war: Imposition of sanctions on the host government by another state creates a war psychology, especially if sanctions were imposed on the host state because it was defeated in an earlier war.

Arms race: To prevent a widening gap in the military balance with a hostile state, or to take advantage of its own military superiority, the government host to the oil companies might strike at another state.

Preemptive strike: Host governments might resort to a preemptive strike, a defensive measure, aimed at removing the threat of a hostile power.

Domestic civil disorder: In order to divert the attention of people from domestic socioeconomic and political problems or in order to generate political support, the host state might deliberately engage in a conflict with a foreign country.

Civil Disorder

(Definition: micro-level sociopolitical turmoil which leads to business and financial disruptions. This includes organized mass violence through unions, associations of student vanguards, outbursts of social

[18] Hans Morgenthau, *Politics Among Nations*, 3rd edition. (New York, NY: Alfred A. Knopf, 1960), pp. 38-55.

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violence such as riots, sabotage, and a general state of lawlessness or internal strife.)

Political corruption: The government is seen to be highly corrupt, and incapable of reforming itself. Intense civil discontent is reflected in civil strife.

Subversion from outside sources: Foreign powers may provide military, paramilitary, ideological, logistical, and political support to groups that seek to overthrow an existing regime. The result can be a prolonged period of civil strife.

Inadequate socioeconomic mobility: Real or imaginary inability on the part of some groups and classes to move out of depressing economic conditions combined with the use of coercive methods by the government lead to political conflict. Oppressed groups may use violence as a political instrument for achieving goals that cannot be realized through peaceful means.

Political coercion: Denial of the right to participate in the political process and the use of force by the government to maintain the status quo can force deprived groups to rise up against the political leadership.

Cross-cutting cleavages: Cross-cutting ethnic, religious, political, and economic cleavages in a given Third World country can make it impossible to reach a consensus on the fundamental issues facing the society. Divergent interests become the source of an extended civil strife.

Economic weakness: Socioeconomic dislocations caused by faltering economies can be the source of civil disorder. This can happen, especially if economic stagnation is preceded by a period of accelerated economic growth. Evidence of economic decline is seen in extremely high rates of price inflation, unemployment, and declining per capita income.

Revolution of rising expectations: Mismatch between expected and realized standards of living can be a major source of violence and civil strife.

Leadership succession crises: In this situation there is a lack of institutional mechanisms for the transfer of power.

Radical Shift in Investment Climate, Including Nationalization

(Definition: Major restrictions imposed by host governments on foreign businesses which, had these existed at the time of the original investment decision, would have rendered the venture unprofitable.

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The extreme expression of this risk is when the assets are nationalized or the operation of a foreign firm come under the control of the host government.)

Nationalist and anti-free market sentiments: Sudden changes in the host government's economic ideology, especially on the role of government vis-a-vis foreign investment, can make the foreign ownership of key industries incompatible with a philosophy of public ownership. Often ideological shifts to the left induce such disruptions.

Shift in bargaining power in favor of host government: A host country might develop marketing skills to the point where it feels confident to challenge the company's monopoly. The government then decides to expropriate assets of the foreign firms.

Shifts in bureaucratic sophistication: The bureaucrats in the host country have the necessary sophistication, skills, and numbers to take advantage of economic opportunities by expropriating assets of foreign firms.

Development of local managerial talent and technological sophistication: Domestic managerial talent and technological know-how might gradually develop so that the government feels it could run the operation. This, in turn, dictates the expropriation of the firm's assets.

Lack of reciprocity as a source of home government's leverage: There is no or very little political and economic interdependence between the firm's parent country and the host government to prevent the expropriation of the company's assets.

Level of economic performance: A host government might have the incentive to expropriate foreign assets depending on the performance of the economy. Periods of accelerated economic growth and marked economic stagnation pose problems for the company.

Economic nationalism: A host government might follow the lead of other Third World governments which have nationalized foreign assets.

Use of Decision Tree as an Aid to Supplementing Macro-Risk Assessment

A decision tree provides a range of estimates for the micro-political risk consequences of a macro-political risk event or a macro-political risk influencing factor. For instance, the management of a multinational firm could acquire insights into the probable result of a major systemic political change on investment and firm-specific concerns. Most foreign investors are concerned about the possibility of regime

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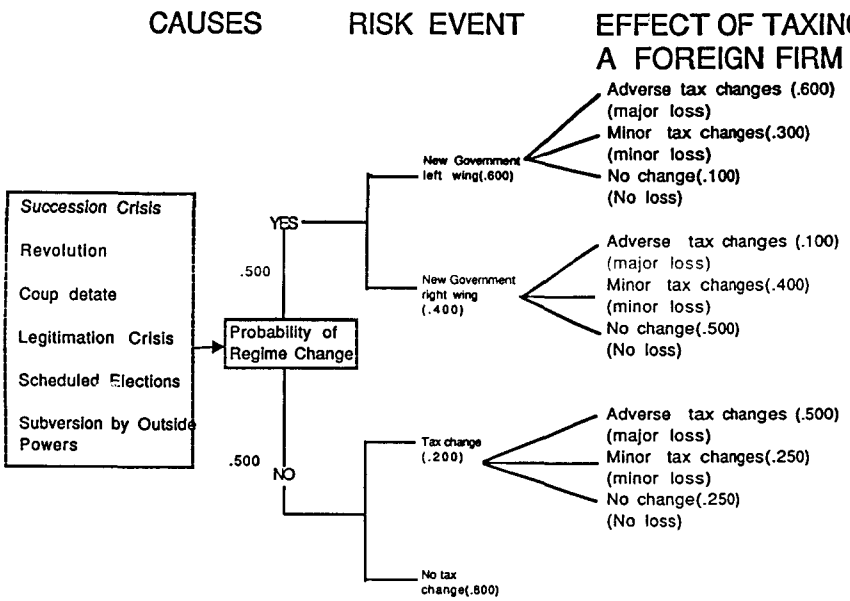
change. A decision tree would serve as an aid or instrument to clarify what the possible results would be for the company or the investment project in the event of regime change. As presented in figure three below, the decision tree serves as an instrument to relate major systemic political events and changes to particular interests of a firm:

FIGURE 3



The figure above illustrates the likelihood of a change of government and its hypothetical probability consequences in terms of adverse changes in the tax base of a foreign corporation.[19] Unlike the decision tree approaches of Stobaugh and others which lack a specific model of political risk, the proposed frame of reference combines the analytical procedure of a decision tree with an explicit model of risk assessment, incorporating specific variables, events, and attempts to

[19] The proposed decision tree segment of the model is a modified version of Robert Stobaugh's well-known decision tree approach. See Robert Stobaugh, Jr., "How to Analyze Foreign Investment Climates," *Harvard Business Review* 47 (September-October 1969): 100-108.

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specify factors which give rise to them.[20]

Micro-Political Risk Events

Monetary Risks: Private Remittance/Devaluation-Foreign Exchange Risks (Definition: Exchange losses due to devaluation of currency by a host country, and restrictions imposed by host governments on the repatriation of profits of the company. In the first instance, the company incurs immediate financial loss. In the second, the company is deprived of using profits for growth and higher financial return elsewhere.)

Balance of payments: In order to deal with declining foreign exchange reserves and reduce balance of payments deficits, the government may decide to restrict foreign exchange transfers out of the country.

Economic development: To encourage economic growth, the host government forces the oil company to reinvest profits domestically by restricting or prohibiting the transfer of these funds out of the country.

Currency devaluation: The desire to reduce a balance of payment deficit prompts the host government to reduce imports by devaluating local currency.

Decline in foreign exchange reserves: Declining reserves of gold and foreign exchange make it difficult to convert local currency into foreign currencies. The host government responds by devaluing its currency. A country's currency reserve position and its expectation on exports, imports, and various balance of payment items provide clues about whether a government will devalue its currency.

Inflation: Domestically produced goods in the host country are more expensive compared to its trading partners due to a higher rate of inflation. The government responds by devaluating its currency.

Costly government programs: The host government's spending on welfare, defense, and other programs forces it to overextend the domestic and international resources of the country. In such circumstances, eventually devaluation occurs.

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[20] Similar to Stobaugh's original formulation, the decision tree approach adopted here presents the consequence(s) of a particular political risk event in terms of a set of probabilities. However, in contrast to Stobaugh's work which treats the Political Risk Event as a given, my approach specifies causal variables which give rise to the particular political risk event under investigation.

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Fiscal Risks: Adverse Tax Changes

(Definition: Increase in taxes on the revenues and operations by the host government so that, had these rates prevailed at the time of the original investment, after-tax revenues would not have justified the original venture.)

Redistributive ideology: A shift in the philosophy of the host government can cause tax increases. The coming to power of a new government with commitment to the redistribution of wealth will result in increased spending on social welfare programs, defense, and the like. One way to finance costly programs is to increase taxes on foreign companies.

Decline in government's tax revenues: The projected tax revenues from industries other than the one to which the oil company belongs are not adequate to finance the government's developmental plans. The government also believes that the oil company is not paying enough taxes. Consequently, foreign companies are asked to pay higher taxes.

Defense build-up: Armed conflict or an arms race can necessitate military build-up which leads to new and higher taxes on foreign firms.

Economic nationalism: A host government may be inclined to follow the lead of other Third World governments which have nationalized foreign firms.

Public Image of the Foreign Firm

(Definition: A dramatic change in perception of the company from neutral or positive to decidedly negative on the part of the government officials, the general population or both.)

Company's interference in the internal political process: Foreign business interference in the political process of the host government is a highly risky enterprise having severe consequences. Nevertheless, foreign corporations have on occasion tried to influence political and regulatory environments through contributions to pro-business politicians in general elections, and/or by bribing government officials. Further, foreign corporations have at times engaged in public relations campaigns in favor of or against certain individuals and political parties in the host government.

International Telephone and Telegraph's (AT&T) actions in Chile prior to and after the election of Allende were an intrusive political intervention by a foreign multinational. Harold Geneen, the Chief Executive Officer of AT&T, launched a broad campaign to bring about the defeat of Allende during the elections. Once these efforts failed,

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he drew an 18-point plan designed to destabilize Allende's government. The plan was shared with the CIA and other intelligence branches of the U.S. government. There are also numerous instances of campaign contributions being made by U.S. multinationals to moderate political parties in Italy.

Such instances are rare, however. This is not because multinational companies adhere to a higher standard of ethical conduct, but because the repercussions and political consequences of such interference tend to far outweigh the advantages of such actions.

Visibility of foreign firm: Host governments in the Third World have a tendency to blame the country's economic problems on the foreign companies. Where these companies are highly visible, they play a dominant role in the host country's economy. The host government is often provided a convenient outlet for the frustration of mass public opinion in circumstances of declining economic standards. In order to mobilize political support, they tend to target the alleged "exploitation" of the foreign multinational as the chief perpetrator of their economic woes.

Colonial legacy and nature of political relations with the firm's home government: The assets of a particular firm may be singled out among other foreign companies because the firm is identified with a past colonial power. Alternatively, the determination of relations between the host government and the home government of the foreign firm might prompt the former to single out the assets of a particular company. The Khomeini government vis-a-vis U.S. multinationals in Iran provides a dramatic example of how the conflict between home and host governments created a negative image of U.S. corporations. This image was exploited by the Khomeini government to sustain and energize anti-American sentiments among the Iranian people.

Adapting the Approach to Firm-Project-Specific Concerns: Multinational Oil Companies as a Case Study

Whereas the macro-political risks can affect all types of multinational business ventures in a host country, micro-political risk events can be identified on the basis of the specific industry, company, or even project-specific concerns. To illustrate how the model can be adopted to the specific needs of the industry, a brief presentation of multinational oil companies' micro-political risk events and their causes is in order.

With regard to multinational oil companies, among the relevant

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political risk events are repatriation limitations, devaluation risks, and sudden expropriations. In addition to these factors, a number of other risk events can be identified that are specifically relevant to the concerns of the oil industry.[21]

Production restrictions: The return on the oil ventures is endangered as a result of the host government's restrictions on the production of oil. A number of influencing factors or causes are suggested. The first relates to large income effects. In order to reduce economic exposure to the negative efforts of excessive revenues being pumped into the economy (inflation, imports, development rate), the government decides to reduce the level of crude production. Another causal variable is the host economy's limited investment absorption capacity. Specifically, production restrictions might be imposed because the economy of the host country is too small to absorb all revenues generated by the production and sale of oil. Currency, levels of manpower, infrastructure, and other factors also limit investment opportunities. Under these circumstances, the government decides to limit the production of oil, and defer expansion.

Conservation and *price supports* are two other independent variables relevant for production restrictions. Since oil is a major source of the host country's national income, production of oil is restricted. Similarly, in order to sustain higher oil prices, the host government joins other producer nations and agrees to certain levels of reductions in the production of oil.

Restrictions on the export of oil products: Limitations on the export of oil products by host governments reduce the return on the oil venture. One motive for such a governmental policy posture is the desire to deal with a domestic demand for oil and gas. Specifically, to prevent prices from rising and revenues from declining caused by an unusually high demand on the home front, the host government imposes restrictions on the export of the products of the multinational firm. A host government's participation in an embargo, with the intention of achieving some state international objectives, might prompt that government to prohibit exports of oil to certain countries.

Imposition of price controls by the host government: The government's policy to set the price of oil and oil products produced by foreign companies below the international market price could negatively

[21] The discussion that follows draws on the work of Bunn and Mustafaoglu. See their article, "Forecasting Political Risk."

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impact the venture's profitability. One motive for such a government action might be to curb a high level of domestic inflation. Accordingly, the government may respond to mounting political pressures to confront spiraling prices, and declining purchasing power through wage and price controls, including the imposition of price controls on the products of multinationals. The government might also impose price controls in order to mobilize domestic political support at home. Indeed, internal cohesion through external conflict has been a popular tactic for most governments suffering from declining domestic political support. Since price controls on foreign companies appeal to nationalist sentiments and enable the mass-public to vent their frustrations, it is reasonable to assume that host governments might adopt price controls.

A variety of industry and company-specific political risk events can be identified. The challenge is to identify the causal factors. These causal political risk factors will emerge from a critical review of the literature. The cause-effect vector can be designed with reference to a particular industry/firm, thereby making the analysis directly relevant to the needs of a company.

There exists a degree of association among dependent variables. For instance, civil disorder and political turmoil might lead to changes in the regime. Similarly, changes in the regime might lead to civil disorder and political turmoil. At least one of the dependent variables, regime change, then could be the influencing factor (or independent variable) causing changes in micro-policy risks. Such multicolinearity, however, need not affect the relative utility of the proposed framework.

Summary and Conclusions

This article has presented a conceptual schema for political risk assessment. The blueprint for analysis presented herein consists of a series of major political risk events, each accurately defined so as to permit accuracy of analysis. Further, it has specified the causes of these risks. Each cause has been carefully described to enable it to be measurable and precise enough for analysis.

The tendency of other models of political risk has been to focus on macro-political risk events such as civil war, overthrow of the government, general political instability, and the like. The proposed framework also incorporates those mundane political risk events such as changes in the policy and regulatory environment of international

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businesses in their host countries. Examples include adverse changes in corporate taxation, repatriation limitations, currency devaluation risks, and the like.

These mundane risks do not receive the same level of publicity as do dramatic political events such as coups, revolutions, interstate warfare, and similar macro-political risk events. In most instances, nevertheless, these micro-policy risk events may pose an even greater danger to the commercial success of the foreign investment venture. The proposed frame of reference is intended to overcome the often skewed analysis of other models which have emphasized dramatic political events. Instead, the frame of reference suggested herein focuses attention on the less dramatic, yet critically important, changes in host government policies that tend to affect foreign businesses. As such, it can also be used to assess political risk in advanced democratic societies where instances of revolutions, violent change of the government and civil war are extremely rare. Regulatory changes, rather, present the greatest challenge to the MNCs.

Finally, there is a built-in emphasis on the real concerns of foreign firms. This firm- and project-specific focus is evidenced by the use of a decision tree to conceptualize macro-political risk events with reference to the particular needs of the multinationals.

We recognize that forecasting future events is inherently a risky enterprise. The assumption that past events data might reveal changes in the future, should be taken with a grain of salt. The proposed frame of reference has been designed, therefore, with these limitations in mind. It is flexible enough to combine both qualitative and quantitative analysis. This more comprehensive framework, thus, promises to be a useful analytic model for the assessment of international political risk.

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Book Reviews

The Roots of American Order
by Russell Kirk
Regnery Gateway, Washington, DC
ISBN 0-89526-755-1

Beyond the Dreams of Avarice
by Russell Kirk
Sherwood Sugden & Company, Peru, Illinois
ISBN 0-89385-040-3

These are two very different books, both of them excellent, by a thinker who shares with few others the top rank in the conservative intellectual renaissance that has occurred since World War II.

Beyond the Dreams of Avarice is a gathering-together of essays on a variety of topics written by Kirk in the 1950s and originally published in such journals as *Commonweal*, *Sewanee Review*, *The Freeman*, the *Wall Street Journal*, and *Yale Review*. Despite the essays' being almost forty years old, they speak to us with as fresh a voice as if they were written yesterday. Approximately half have to do with the American scene, half with Britain.

All of it is vintage Kirk. No doubt he could tell us of some nuances in his intellectual migration, but he has had a grasp on what he calls "the permanent things" for so long that his life's work bears an unusual consistency, bringing an Olympian critique to bear, in the most readable and eloquent of styles, over a period of several decades.

The essays deal with events and personalities that grow, if anything, more interesting with age. He tells, for example, of the great disillusionment that occurred among the socialists of Britain after a few short years of the Atlee government's confronting reality. I recall, from my work preparing my book on socialist thought, what an impression that failure made on European socialism, and even on American "liberal" thinking, piercing what had theretofore been utopian expectations. So it is like visiting an old friend to read about Kirk's first-hand observations of it, written shortly after the event.

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I had not been familiar with the writing of Orestes Brownson, who started out as a socialist and an atheist, but underwent a conversion to Catholicism in his early forties. If Kirk's judgment is to be credited, Brownson deserves a careful reading.

Nor had I been aware of the poetry of Roy Campbell. I like a book I can learn from, and that will send me scurrying to still other books as though a bloodhound on a trail. There is intellectual adventure in that.

In these brief comments, I will not be giving *Beyond the Dreams of Avarice* the full attention it deserves. That is because I wish to devote the majority of my review to *The Roots of American Order*, which is just as readable, eloquent and interesting, but which adds to those qualities the monumental intellectual task of reviewing the entirety of the history of Western civilization to select and discuss the events, movements, ideas and personalities that Kirk understands to have most laid the foundation for American society.

This is a book, first published in 1974 and now reissued with an excellent epilogue by Frank Shakespeare, that can serve as the primer for those, if there are many left in today's culture, who aspire to an "educated" status. It gives precisely what most young students of history want, but what many say standard courses don't give: a review that stresses what is most important, without becoming bogged down in excessive "dates and detail."

In academia recently, there has been a great deal of debate over what should go into "the canon," i.e., into the list of books that should be presented as part of a general education. Should many of the old classics be relegated to the dustbin of the past and supplanted by works from Latin America, Asia and Africa? In that context, those of us who wish our children well grounded in Western civilization first and foremost may be caught asking ourselves "now let's see, what precisely *are* the more important works of the West?" Kirk necessarily addressed this question as he prepared his book; and he has provided at least a partial answer. There are certainly other parts of the Western heritage to be brought in that he has either not mentioned or to which he has had to give short shrift; but the things he *does* mention are clearly candidates to be included.

From all that I have just said, it is apparent that I am of quite friendly disposition toward Kirk and his scholarship. This is, however, a journal of ideas, in which we seek to take seriously the content of ideas, and in that context we owe it to Kirk as a serious thinker to

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come to grips with his ideas and not simply to pass them along, even with commendation, without a searching look. I will devote the rest of this review to such a discussion. Necessarily, I have chosen for examination those about which my own mind has led me to different conclusions, since it is as to them that I have something to add.

1. Kirk's Opposition to 'Ideology.'

In common with a good many conservatives of the traditionalist school, Kirk opposes "ideology," which he defines as "abstract ideas not founded on historical experience." As so defined, the word points to the "rationalistic fallacy" and human pretension that lie behind the gigantic systems of ideas that, especially in the modern age, compete with each other over social programs and worldviews about life. It was "defecated rationality" that made an aberration of the Enlightenment, that warped Bentham's view of the world, that carried classical liberalism afield, and that has made the world Left such a vehicle for *hubris* since the early nineteenth century.

Traditionalist conservatives don't seem to realize it, but this is not unlike the way in which Ayn Rand saw what she was doing. That philosopher, magnificent as to many things, was convinced that her perceptions were products of pure reason, strictly deductive inferences from the nature of "man *qua* man." To Rand, the competing understandings were products of irrationality. I hold her in high esteem for many things, just as I do the traditionalist conservatives, but just the same it has always seemed to me that the world of intellect is much more complicated than that. There are giant systems of thought that serve to "mediate" reality for human beings, because the complex reality of life cannot be grasped in the absence of such mediation. Each of those mental systems has arisen as a human enterprise, with its own vast stock of experiences and perceptions (and, not coincidentally, its own sociology reflecting the interests it serves). Take, say, the socialist worldview as found in Lassalle, that millions of people are entrapped by life and are exploited by the strong, calling into play the need for the state as a liberating mechanism. No doubt this outlook serves the needs of the alienated leftist intellectual subculture as a weapon against the hated bourgeoisie, and has served as the justification for the "have-nots'" claim to be "victims" in need of help. But it is not purely a fabrication formed out of air, separate from experience. Those who advocate it have marshalled their evidence and their arguments. Such people include many who are highly intelligent and

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well-meaning. Is it sufficient to say, with Ayn Rand, that they are simply "being irrational," creatures of the dreaded "Beast of Unreason"? Instead, their arguments must be met head on, on the merits, with better evidence, better reasoning.

For his part, Russell Kirk holds to a Christian cosmology. This coincides with an ability to champion "experience" and tradition because the West for almost two thousand years embraced that cosmology, making its elements part of its tradition. If we begin with the truth of that cosmology, taking it as our starting place, then it follows that other cosmologies are false images, amounting in effect to exercises in human vanity. But is it possible for a reasonable person not to start with that premise? What if the Christian cosmology is "put to its proof," just as the other great systems of mediation are? Then we see that the proof is made by fallible human beings, often using types of evidence that are less than convincing. It is the nature of a secular age that for many this forms a veil between themselves and the Truth that those who hold to the cosmology take for granted. Unless we take its ontology as established, the Christian cosmology takes its place as another of the gigantic systems of interpretation. Someone reading Kirk needs to understand that, in common with all other writers, his characterizations depend upon the acceptability of his premises.

There is a major intellectual conflict, running over centuries, between those who, on behalf of one view or another, base their position on ontological certainty and those for whom the central intellectual issues are primarily epistemological.

This is not to say that I think all systems of interpreted reality are equally valid. Relativism has been used as a debunking mechanism to undercut ideas, institutions or acculturations by simply pointing out that "your way is just one among many." If that's where the argument stops, it is insufficient. We are left to examine the merits of each idea, institution or acculturation, based on our tools of judgment.

2. The Disagreement Within American Conservatism Over the Interpretation of Modern History

I will not attempt to resolve the differences here, but wish merely to clarify as best I can the vastly differing interpretations that American "conservatives" of varying kinds give to modern developments.

To conservatives such as Kirk, Richard Weaver, Eric Voegelin and my good friend Otto Scott, to name just a few, whose analyses center around one version or another of the Christian worldview, Western

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civilization had a much better grasp of reality a few centuries ago, when the human attention was focused on God and society was structured in such a way as to reenforce that attention and to curb the excesses of a sin-prone humanity. What is best in today's life is whatever we have left from that earlier patrimony. (Kirk manages to find quite a lot that is good in his book on the roots of American order. This causes him to arrive in the end at an optimism that runs counter to the more despairing tone that he takes in the 1991 foreword to the other book. He may actually have made differing assessments in 1974 and 1991, but I am more inclined to think that the exigencies of an "up-beat" theme, "the roots of American order," forced him at least temporarily into a sanguine assessment that was at odds with his longer-term views.)

It is in this context that many traditionalist Christian conservatives see the main developments of modernity, which have involved a shattering of the medieval consensus and have moved toward a relatively much more secular society, as destructive and decadent. The Enlightenment in particular was "reason run amuck." Classical liberalism, championing a market economy, the rising middle class, individual freedom, limited government and religious toleration, including the separation of church and state, has formed the basis of much of what we call "conservatism" in the United States in the twentieth century; but it is important to note that to the thinkers I have been talking about classical liberalism has been *part of the problem*. Accordingly, Russell Kirk is prone to see the roots of what is best in America outside, not within, the tradition typified by Jefferson, or Paine, or (in England) Bentham.

Where they form common ground with classical liberals is in these two conservatisms' mutual condemnation of the Left (and of fascism while it was an issue). But despite this commonality, the traditionalist conservatives consider the Left an extension of the secular rationalism that earlier formed classical liberalism. Individualistic ideology and socialist ideology are branches, they hold, of the same tree. The latter may be more virulent and therefore deserving of more forceful condemnation, but the secular materialism of the bourgeoisie is only marginally preferable, if at all. This comes through clearly in all of Kirk's writing, but perhaps the most succinct statement of it is in Richard Weaver's *Ideas Have Consequences*.

Compare this worldview with that of a classical liberal, whom in today's parlance we know as a "limited government, free market

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conservative." The thinkers who led this school saw Europe and America's breaking out of the Middle Ages as a great good, a throwing off of shackles: social hierarchy was broken down and titles of nobility were ended, opening the way for humanity at large to take part; established religions were denied their special place and the individual came to be sustained in the free exercise of religion; the mercantilist state was replaced by a constitutionally constrained government and a market economy; kings were replaced by republics; the franchise was extended over time to include all adults; revelation and faith gave way to empirical science.

To this view, the Enlightenment was the culmination of a great progressive tendency that had long been at work shattering the closed system of medieval Europe. None of these thinkers would defend the excesses of the French Revolution, but such horrors were to classical liberals the effusions of the mob, not, as Edmund Burke saw them in his *Reflections on the Revolution in France,* the logical fruits of a move away from status and hierarchy.

Classical liberals have seen it as a great tragedy that, beginning with the Romantic Movement in early nineteenth century Europe, an intelligentsia arose that felt a profound hatred against precisely the Enlightenment, the bourgeoisie, and classical liberalism.

To the classical liberal, these products of anti-bourgeois alienation are in no valid sense an extension of classical liberalism, but have been its enemies from the beginning. True, they are parts of the West's intellectual, social, political history since the break-up of the medieval consensus; but that makes them "branches off the same tree" only to someone who gives little weight to their differences.

Thus, to the classical liberal there is a tripartite division in modern social thought: the ideas associated with the hegemony of medievalism, the philosophy of an open society championed by classical liberalism, and the varied collectivist products of the "alienation of the intellectual" that have come into being as the intelligentsia has allied itself with an assortment of unassimilated or disaffected groups. This tripartite division differs markedly from the traditional religious conservative's perception of a two-way division between the earlier God-centered society, on the one hand, and the various expressions of the hubris of, as Kirk calls it, modern "defecated rationality," on the other.

Dwight D. Murphey

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